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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

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Executive Summary

KPEP has had a very good second year. We have reached and exceeded our primary targets: KPEP firms have increased their sales by €41.8 million (+37.3%), which is more than double the target we set for ourselves at the beginning of the project for Year 2; investment by client firms has increased by €15.3 million, almost double the target; and exports have increased by €21.3 million (+1,401%; we did not set a target for exports).

Total sales of KPEP companies to date are €153,306,097; total exports are €22,777,145 and total investment is €15,256,256. The export/import coverage of KPEP firms is approximately 65%, compared to 13% for all of Kosovo. Employment growth for KPEP firms has been 69% to date with 1,664 Full Time Equivalent jobs created.

These are impressive gains, particularly when compared to growth rates for Kosovo and the region – Kosovo sales increase is 4.8%, export growth is 207% and employment growth is 1.1%. We believe that KPEP's contribution to these results (per our methodology) is approximately 45%, based on the advisory and support we have provided to these firms. The sales multiplier we have established for Kosovo is 1.78, so we consider that the overall increased impact on the economy is €72.8 million in sales.

KPEP has 66 formal client firms, which is below our Year 2 target. Our activities however directly and indirectly impact more than 500 companies. Though the construction sector remains the key driver of these gains, the agriculture sector now accounts for 44% of these gains.

We are proud of our achievements in the agriculture, construction, wood processing and forestry, IT, tourism, recycling and energy efficiency sectors. We support these sectors through our workforce development, business enabling environment and business services support components.

KPEP has engaged in a wide range of activities that have moved these sectors forward in the past year. Examples of our successful work are highlighted below:

Agriculture

- KPEP sent students to train at farms via our raw milk quality improvement process. As a result of training on milk hygiene, farmers experienced an increase in daily milk yield and an overall increase in income of over €30,000.
- KPEP trained several Kosovo dairies on how to produce a new white cheese variety, which allowed for a more efficient milk/cheese ratio, and also proved to be an extremely popular product. As a result, participating dairies saw increased annual incomes of up to €100,000.
- KPEP partnered with the Ministry of Agriculture on a Kosovo-wide dairy promotion campaign targeted primarily at school children, to encourage them to consume local yogurt and milk. As milk quality increases, marketing local products is the next logical step to increase consumption.
- The value of KPEP support for exports of potatoes, fresh and processed peppers, cabbage, melons and watermelons exceeded €1 million this year. The destination markets were mainly regional – Albania, Macedonia, Germany and Switzerland.
- KPEP helped to establish four vegetable collection centers.
- KPEP developed new market channels for non wood forest products that resulted in €6 million in sales.
- KPEP helped three non wood forest product processors to obtain HACCP certification.
- KPEP supported the establishment of nine non wood forest product collection centers in strategic locations all over Kosovo.

Forestry/Wood Processing

- With KPEP support, Kosovo has made good progress as it seeks to secure FSC certification. We are on schedule to achieve certification for two forests by October 2011.
- Wood processing firms purchased equipment worth more than € 800,000 during the Hannover Ligna Fair.
- Negotiated sales transactions at the KPEP-supported Natyra Fair reached € 800,000.
- With KPEP support, Kosovawood signed a €500,000 export contract with a Danish firm for a range of new products.

Construction

- KPEP supported highly successful training for 40 Heavy Equipment Operators.
- KPEP organized a two-week lecture series on road design at the Faculty of Engineering.
- KPEP signed an MOU with the Ministry of Transportation for the establishment of a Heavy Equipment Operators Training Center and a best-practice road tendering process.
- KPEP is working with the Ministry of Environment and Spatial Planning to establish a licensing system for Kosovo architects and engineers, which we anticipate will be completed in December 2010.

ICT

- KPEP held a workshop on business process outsourcing, one of the focus areas for Kosovo's economic strategy. We also established a training program for call centers. KPEP will support a follow-on project in BPO, via an exploratory trip to India to contact BPO companies who have the potential to outsource to Kosovo.
- KPEP continues to support vendor certification trainings and project management certifications.
- KPEP has made excellent progress with the University of Pristina and the Telecom Regulatory Authority (TRA) to establish an Internet Exchange Point. We expect that the exchange point will be up and running in Year 3.

Tourism

- KPEP supported the publication of a supplement on the Balkans in the National Geographic Travelers Magazine. As a result, three National Geographic journalists visited Novoberdo to report on the area as a tourism destination. KPEP client NGO Rural Tourism Novoberdo/Nuovo Monte hosted the group.
- KPEP supported the organization of the second annual Travel Day Fair, promoting Kosovo destinations and experience providers to local and international audiences; we also supported the second annual Peja Tourism Street Fair. In both cases, the partner organization took the lead, with KPEP playing a supporting role. The events had excellent turnout and exhibitors reporting excellent revenues (€ 195,000 for the Travel Day Fair).

- KPEP issued a tourism catalog with offers developed by our client companies. The success of the catalog prompted KPEP to issue a second edition, which will also be used by the embassy community in Kosovo.
- A World Learning-funded study tour to Austria and Bulgaria to learn about best practices in alternative tourism received excellent feedback from the nine participants, all KPEP clients. Inspired by the experience, they formed the Kosovo Alternative Tourism Association, which subsequently organized the Peja Tourism Street Fair.

Business Support Services

- KPEP organized a highly successful mentoring and networking program for 14 women who own small businesses. KPEP plans to repeat this initiative in Year 3.
- KPEP provided training for the major associations with whom we work, to help them become more effectively organized and to develop value added services that will enable them to achieve financial sustainability.
- A study tour to Poland with these associations was geared toward gaining a better understanding of lobbying and advocacy.

Business Enabling Environment

- KPEP led the drafting of a new construction law, which will be presented to the Ministry of Environment and Spatial Planning at the beginning of Year 3.
- KPEP analyzed best practices in the region for forest tendering procedures.
- KPEP organized a study tour to Geneva for nine GoK and two Chamber of Commerce representatives to learn about best practices in trade policy with a focus on CEFTA and WTO. One tangible outcome of this study tour was the formation of inter-ministerial Trade Council.
- KPEP undertook several initiatives to promote Foreign Direct Investment in Kosovo, including outreach at a number of international conferences, as well as supporting a British investment mission.

Workforce Development

- KPEP organized several successful internship programs this year in dairy, accounting and finance, business and economics, and wood processing. Our placement rate was respectable; for example, over 50% of the AFAS interns were placed (59 out of 103).
- KPEP organized job fairs in the ICT, construction, and tourism sectors; 20 job placements were achieved as a result of the tourism fair.
- KPEP organized an entrepreneurship training program just outside of Pristina for over 100 participants. The program was coupled with a loan program for successful participants. One of the young trainees went on to successfully establish a kindergarten.
- KPEP organized the promotion of carpentry as a desirable profession in several municipalities. Several VETs and VTCs saw a significant increase in enrollments. In Podujeva/Podujevo for example, 45 students enrolled this year compared to none in the previous year.

KPEP also ensures that micro-enterprises, women, and minorities are integrated into our program. Examples of KPEP's Year 2 support for micro-enterprises includes:

- Assistance with HACCP and Organic certification for several micro-enterprises.
- Assistance to micro-enterprises to attend an agricultural fair in Turkey.
- Marketing and promotion of tourism offers.
- Entrepreneurship training.

Examples of KPEP's support to women include:

- KPEP works closely with the ICT and Wood Processing Associations, both headed by women.
- We assisted the Widows' Association of Krusha e Madhe with business and floor plans for their planned vegetable processing plant, to ensure compliance with HACCP standards.
- We provided financial support to the Women's Association Ruka Ruci to attend a trade show in Novi Sad, where they sold produce valued at €20,000.
- 13 women completed the Entrepreneurship training offered by KPEP; 21-year old Kaltrina Mujaj is a successful alumnus who has since opened a kindergarten in Glllogovc/Glogovac.
- 71 of the 103 AFAS accounting and finance interns were women. Of the 59 that found employment, 38 were women.

This year, we awarded 26 subcontracts and 40 grants to local and international beneficiaries valued at € 887,520 (\$1,169,607). The Agriculture sector absorbed the most grant/subcontract funding, with almost one third, followed by Wood Processing and Workforce Development with 13% each. Examples of KPEP grants and subcontracts support include:

- Business plan for Widows' Association in Krusha e Madhe
- Wood Processing Internship Program
- Heavy Equipment Operators Training
- Raw Milk Quality Training Program
- *Stay the Weekend* Peja Tourism Street Fair
- Minority Women's Association Avenija Attendance of Belgrade Trade Show
- Accounting and Finance Internship Program
- Demonstration of new Planting Technologies for Melon, Watermelon, Pumpkin and Cucumber
- Non Wood Forest Products Collection Center
- ICT Association Participation in the CEBIT trade show in Germany

Component 1: Increased Competitiveness of Key Sectors

Agriculture: Livestock

Strategy

The agricultural strategy for Year 2 is to continue to identify and intervene in eliminating constraints along sector value chains, particularly domestic and export market penetration and infrastructure development. These two constraints are closely related. The end market is looking for a quality product that meets specifications with a low transaction cost. Meeting market demand by improving product quality and offering greater variety, along with improving handling and storage in collection centers, can remove these constraints and open up new markets. Improved markets will drive the commercialization of Kosovo's agricultural sector.

Livestock Industry: Dairy

Objective 1: Improve product quality

Activities

1. Support Dairy Internship Program

4th Quarter Progress: During the fourth quarter, 62 dairy farmers received training on raw milk quality improvement. As a result, 14 farmers moved to an extra class; three farmers moved to the first class, two farmers are in the first class and nine farmers moved from the third to the second class. Farmers who are in an extra class earned extra income from milk sales ranging from €92 to €192 per month.

Year 2 Progress: Capitalizing on successful Year 1 implementation of the raw milk quality improvement program, we expanded the program in Year 2. From March to September 2010, KPEP contracted the local consulting firm Initiative for Agriculture Development in Kosovo (IADK) to implement the raw milk quality improvement program. Initially, five University of Pristina veterinary faculty students received training to serve as raw milk quality field personnel

at five dairy processing plants. They subsequently passed on this knowledge to the dairy farmers who deliver their milk to the biggest commercial dairies in Kosovo.

The milk quality improvement program sought to train University of Pristina Veterinary Faculty students, introduce proper milking procedures, and improve raw milk quality at the farm level. The students served as raw milk quality field personnel at five dairy processing plants. These trainings were offered to farmers, who deliver milk to the biggest commercial dairies in Kosovo: Vita Dairy in Peja/Pec, Abi Dairy in Prizren/Prizren, Magic Ice Dairy and Bylmeti Dairy in Pristina, and the Bylmeti and Kabi dairies in Gnjilane/Gjilan.

Under the supervision of KPEP's local subcontractor IADK, the students completed 159 farm visits and conducted five trainings. Farmers participating in the program experienced an increase of 227 liters per day in milk yield as a result of lower somatic cell counts. This improved milk quality resulted in an overall increase in income to supported farmers of €32,759 during the program. The dairy internship program was a win - win situation; farmers benefited from improved raw milk quality, and students applied knowledge learned in the classroom to the field.

2. KFVA Study Tour to Lithuania

4th Quarter Progress: This activity was completed in the third quarter.

Year 2 Progress: Five Kosovo Food and Veterinary Agency (KFVA) raw milk laboratory representatives and one dairy industry representative attended the World Learning-organized raw milk lab management efficiency training in Lithuania. The goal of the training was to learn how to increase the volume of milk samples and deliver test results at lower costs. Training topics focused on operations and management systems for the raw milk laboratory. As a result of the training, the KFVA Director expressed his commitment to install a machine that would identify raw milk samples using bar codes by the end of the year. He also committed to start testing raw milk for inhibitors and to begin the process of milk laboratory accreditation with ISO. Participants included:

- Drita Bajraktari, milk laboratory technician
- Hysa Gerbeshi, milk laboratory technician
- Vlora Gashi-Zogjani, milk laboratory technician
- Xhemajl Dervishi, Head of KFVA laboratory

- Blerim Hajdari, KFVA
- Kushtrim Tigani, dairy industry representative

3. Conduct Dairy Technology Short Course

4th Quarter Progress: This activity was completed in the first quarter.

Year 2 Progress: The second dairy technology short course, which was held December 14 – 31, 2009, was well attended and received extremely positive feedback. STTA Dragi Mihajlov demonstrated new technology to develop a new white cheese product at Kabi Dairy, Golaj Dairy, Magic Ice Dairy, Euroлона Dairy, Alpina Dairy and Rona Dairy. Private dairy consultant Bunjamin Alili attended the training to improve his understanding of dairy production and to serve as a field personnel advisor for other dairies. This short course focused on soft white cheese production. By applying the new technology, the conversion ratio for producing 1kg of white cheese was five liters of raw milk, while the old technological process that Kabi and Euroлона had been applying used 7 liters of raw milk to produce 1 kg of white cheese. As a result of introducing the new process to develop the new white cheese, course participants saw increases in projected income ranging from €43,000 (Euroлона) to €100,000 (Kabi) a year. Most of the increases were a result of higher yields of cheese from milk.

One of the key elements of the short course was to build a culture of quality at dairy processing firms. For example, Kabi Dairy asked the consultant to evaluate a sour cream product. The product had a shelf life of four days, but modifications to the process extended the shelf life to 21 days and improved flavor. We completed an environmental review for milk collection centers, including those located in minority areas, for Kabi Dairy.

Benchmarks

- KPEP anticipates that the intermediate result for this activity is a substantial improvement in raw milk quality, with at least 80% of participating farmers experiencing improved raw milk test results **(ACHIEVED)**.
- Five student interns finding jobs as milk quality field personnel. **(NOT ACHIEVED** - Students have not yet completed their studies).

Progress

Progress on this objective was impressive. The progress we achieved to improve raw milk quality at the farm level was excellent. KFVA reported low counts of bacteria and somatic cells at the dairy farm level as result of the training provided to veterinary students.

Livestock Industry: Dairy

Objective 2: Improve product marketing and strengthen business-to-business relations

Activities

1. Promote consumption of dairy products

4th Quarter Progress: We completed this activity in the third quarter.

Year 2 Progress: KPEP initiated a dairy promotion campaign to (1) raise awareness among local consumers on the quality of domestic products and (2) to promote consumption for children. Campaign activities included presentations to schoolchildren on the importance of consuming dairy products and incorporating milk, yoghurt and cheese into their daily diets. Six dairy processing facilities hosted schoolchildren to teach them how milk is processed and turned it into their favorite dairy product. KPEP also held in-store promotions. The campaign kick-off event held June 1 on Mother Theresa Street in Pristina coincided with World Milk Day celebrations. Children received T-shirts and bags featuring *Lara Cow*, the new mascot for Kosovo's milk and dairy products. Dairy company participants and promotion cost sharing partners included Golaj Dairy, Magic Ice Dairy, Bylmeti Dairy, Abi Dairy, Rona Dairy, Ajka Dairy, Kabi Dairy and Devolli Dairy.

2. New product development

4th Quarter Progress: We completed this activity in the third quarter.

Year 2 Progress: Dairy plants requested KPEP assistance to introduce new technology-based processes to produce yellow *kachakaval* cheese. The activity sought to help plants absorb

excess supplies of raw milk during the spring and summer seasons. Kosovo's raw milk supply increased by 1.5 times in the spring and summer compared to winter months. KPEP recognized the need to address this excess supply by developing new, longer shelf-life *kachkaval* cheese. In April, a regional STTA specialized in producing yellow *kachkaval* offered practical training to dairy technologists from the Bylmeti, Rona and Kabi dairy plants and one local dairy consultant. In June, Bylmeti began exporting *kachkaval* to Albania with an initial of two-ton shipment.

KPEP also provided training to Rugove Dairy's dairy technician during a previous dairy technology short course. Located in the Rugove/Rugova Valley, the Rugove Dairy plant is dedicated to producing a wide range of excellent cheeses. Initial processing of milk is now 1,000 liters per day; cheese currently being aged will enter the market later in the season. The investment exceeds € 1 million.

3. Strengthen relationship between dairy processors and local retail chains

4th Quarter Progress: We completed this activity in the third quarter.

Year 2 Progress: KPEP organized a Business-to-Business (B2B) event May 12 to improve business linkages between local retail chains and dairy processors. Participants included representatives from nine of Kosovo's largest retail chains (ETC, Albi Market, Ben Af, Era City Hypermarket, Viva, Interex, Abi market Agmia and Mentori Mega market) and the most prominent dairy processors (Bylmeti, Ajka, Magic Ice, Golaj, Devolli, Rona, Kabi and Abi). ETC and other retailers often charge slotting fees to companies seeking to sell their product in stores, but they agreed to waive these fees for domestic dairy products who meet the quality standards and the packaging requirements. ETC waived the slotting fees for the Magic Ice hard white cheese produced under the ETC store brand.

4. Improve packaging (NEW)

4th Quarter Progress: In July, KPEP and Kabi Dairy plant production manager Ruzhdi Bixhaku visited the Kumanovo, Macedonia based Blik Product Company, a packaging materials producer, to inspect the quality of thermo stretching folia that could be used to pack new yellow cheeses. In the end, Kabi did not reach an agreement to purchase the folia because the price was too high, but the dairy is currently exploring other alternatives.

Year 2 Progress: This activity was formerly a separate objective. In consultation with USAID, we have now categorized this as an activity. We have taken no other actions to date. As KPEP works to develop new products in the future, we will also continue to support the development of new quality packaging.

Benchmarks

- By the end of Year 2, KPEP anticipates a 10% decrease in imports from the previous year, reflecting an increase in domestic market share **(ACHIEVED)**.
- Coinciding with an increase in market share, the dairy sector achieves a €1 million increase in investment **(ACHIEVED)**.
- The Bylmeti, Rona and Kabi dairy plants develop two different types of yellow cheeses **(ACHIEVED)**.

Progress

Progress under this objective has been satisfactory. According to Kosovo Customs data, imports of dairy products fell by €2.75 million in 2009. The decline in dairy product imports is the result of (1) an improvement in raw milk quality, (2) the enhanced quality of final dairy products and (3) introducing new dairy products to the market. The drop is also a result of increasing consumer awareness to consume local dairy products stemming from the dairy promotional campaign. Sales of the newly introduced domestic *kashkaval* are approximately 6,600 kilograms per month at the Bylmeti, Kabi, and Rona dairies. Approximately 120,000 liters of UHT Vita milk were exported to Albania this quarter. Rugova, a new dairy plant, started producing fermented dairy products.

Livestock Industry: Dairy

Objective 3: Support Dairy Policy Development

Activities

1. Assist MAFRD, KFVA and key stakeholders to formulate a national dairy policy

4th Quarter Progress: In August, five candidates from MAFRD and the dairy association attended a USDA Cochran Fellowship Program supported agriculture policy training program in the U.S. The program focused on U.S. agriculture policy, the dairy industry (including livestock health) veterinary regulations and domestic and trade policies. Training also included the policy formulation process and the role of farmer lobbying groups in the U.S. The program allowed the group gain new knowledge and practical experience in agriculture policy. KPEP encouraged participants to adopt knowledge acquired during the training to formulate and implement policies that are consistent with existing trade agreements and WTO regulations, explaining that doing so would help agribusiness companies to improve the competitiveness of the Kosovo market.

Year 2 Progress: KPEP assistance has resulted in the development of two dairy policy issues: (1) dairy product standards and labeling, and (2) subsidized imports that are currently awaiting MAFRD and/or KFVA action. In Year 3, KPEP will assist the Dairy Policy Working Group to adopt a position on these two policy issues.

2. Assistance in implementing dairy policy

4th Quarter Progress: No new policies have been undertaken in this reporting quarter.

Year 2 Progress: Milk producers and processors have asked the GoK to develop policy actions that assist dairy companies to increase their competitiveness in the market. KPEP assisted the legal unit of KFVA in drafting an Administrative Decision (AD) for dairy identity standards. The acting head of KFVA forwarded the AD to the European Commission Liaison Office (ECLO) for review and clearance, so that standards could be adopted as part of a full hygiene package.

ECLO's response however was that barring import of dairy products that are at or half way to the expiration date, a recommendation that appears in the proposed AD, was against EU policy. ECLO is encouraging the GoK to adopt provisions to enforce food safety control in the domestic market. The Dairy Policy Working Group is working with the Acting Head of Kosovo's Food and Veterinary Agency to advance the process of adopting the AD for dairy identity standards.

3. Facilitate and build the capacity of a Dairy Policy Working Group (NEW)

4th Quarter Progress: This quarter, the Dairy Policy Working Group met two times to discuss plans and activities for next year. KPEP plans to help KVFA design the road map to adopt the AD for dairy identity standards.

Year 2 Progress: As a result of a KPEP initiative, representatives of MAFRD, KFVA, Customs, KCC and the University's Agriculture Faculty established the Dairy Policy Working Group. The group's objective is to design and recommend policies that will improve the business environment for Kosovo dairy companies. The Agriculture Faculty's Dr. Kurtesh Sherifi was selected to head the group. Policies developed by the dairy consultative group are submitted to the government for consideration and adoption. The Dairy Policy Working Group is working on a response to ECLO regarding its rejection of the administrative instruction specific to the imported product expiration date and will report updates to KPEP and the KFVA.

Members of the working group include:

- Dr. Kurtesh Sherif, Agriculture Faculty
- Mr. Asim Mema, Head of Livestock Breeding, MAFRD
- Dr. Flamur Kadriu, Head of Veterinary Public Health, KFVA
- Mr. Safet Gerxhaliu, Director of Investment, Chamber of Commerce
- Mr. Bedri Abdyli, Kosovo Customs

Benchmarks

- KPEP will support MAFRD, KFVA, and stakeholders in the development and implementation of two dairy policies that will enable the sector to be more competitive
(PARTIALLY ACHIEVED – documents were developed but have not yet been adopted).

Progress

Progress under this objective has been slower than expected.

Agriculture: Fruit and Vegetable

Strategy

The ultimate goal for this sub-sector is to establish Kosovo as a reliable supplier of high quality products in the domestic and export markets. The strategy for this year was to capitalize on the successful export sales made in year one (\$600,000 in pepper export sales) by strengthening strategic partnerships between retailers and traders. Additionally, new technologies in grading and packing will strengthen market presence.

Agriculture: Fruit and Vegetable

Objective 1: Improve vegetable production

Activities

1. New variety trials

4th Quarter Progress: KPEP supported and organized pepper test trial days in Krusha e Madhe with the Perdrini Association and Secondary Agriculture School in Pristina. The aim of the events was to promote six new peppers varieties, one watermelon and one melon hybrid varieties to 60 commercial farmers, traders, agro - input suppliers and agribusiness specialists. We discovered there was interest in planting four varieties of pepper next year.

Test trial cultivation in Pristina demonstrated that results for green house cultivation were 10kg per M2, whereas open field cultivation generated 6kg M2 in product. The new hybrid varieties will produce a yield of 90-120 Mt per hectare compared with traditional varieties that generate 30 -40 Mt maximum per hectare. Following four test trials, the best results were achieved by the Secondary Agricultural School Pristina and Krusha e Madhe. KPEP client Edona S.a.r.l, who exports to the Swiss market, visited one of the test trial plots and identified three hybrid pepper varieties that can be planted next year for export to Switzerland for an initial amount of 300 Mt. The hybrid varieties, combined with drip irrigation and black plastic mulch, which acts as weed control and warms the soil early in the season, have an estimated yield per hectare of 120 tons.

Year 2 Progress: Pristina's Secondary Agricultural School, the Tina Association, Krusha e Madhe, and Las Pallmas are the four locations selected for variety trials, which include six new pepper, one new watermelon, and one new melon hybrid varieties. The estimated increase in yields compared with traditional agricultural practices in each location is 66%. The field days associated with the trials attracted a total of 60 farmers and received extensive media coverage. Yields from variety trials averaged 120 tons of peppers per hectare. Traditional agricultural systems normally produce a yield in the vicinity of 30-40 Mt tons per hectare.

2. New technology demonstrations

4th Quarter Progress: The Perdrini farmers association was awarded (on a cost share basis) the first ever module plantation seedling machine in Kosovo and the region. Perdrini has the machine and is prepared for the watermelon, melon and cucumber seedling 2011 planting season. The machine will plant four hectares a day, using a three-person crew. This new planting technology will help farmers to plant earlier using the mulch and drip irrigation system. As a result, watermelon will arrive to market at least 20 days earlier in the season with significant price incentives.

Year 2 Progress: KPEP supported the establishment of these pepper test trials and financed monitoring of cultivation via agronomists. This initiative was highly successful. Each of the aforementioned sites for variety trials also include some type of new technology demonstration of commercial seedlings, seedlings produced by the farmer using trays and substrate, drip irrigation, plastic mulch and tunnels. The yields from the variety trials can also be attributed to the new technology. The Pristina Secondary Agricultural School has completed an excellent comparison of greenhouse pepper production and open field pepper production. Data show that yields from greenhouse production are 60% greater (or 10Kg per 1 m²) than open field production.

3. Expand the use of local consultants to monitor production and quality

4th Quarter Progress: KPEP supported the Rahovec/Orahovac region by engaging three agronomists to advise farmers in the field on vegetable cultivation; these agronomists advised 150 farmers in the region on better vegetable cultivation. KPEP also provided one marketing specialist to facilitate fieldwork on pepper input supply and collection for export.

Year 2 Progress: The three local consultants KPEP engaged to provide services to farmers through the Perdrini Association have proved invaluable in identifying germination problems, plant disease, and fertilizer and irrigation requirements. They served up to 150 farmers, including 30 commercial farmers for whom KPEP facilitated a contract between pepper producers and the Etlinger Company in Shtime/Stimlje for 16 hectares of peppers.

Benchmarks

- Increase pepper yields by 10% **(ACHIEVED)**
- Increase watermelon yields by 25% **(ACHIEVED)**.
- Increase white bean yields by 200%, **(ACHIEVED)**. The high bush variety earned €9,250 per hectare and the low bush variety earned €5,000 per hectare).
- 50% increase in farmers planting white beans. **(To Be Determined next season)**

Progress

KPEP's activities for this objective have gained traction and have yielded tangible, excellent results.

Agriculture: Fruit and Vegetable

Objective 2: Develop vegetable infrastructure through collection centers

Activities

1. Promote the development of fruit and vegetable collection centers

4th Quarter Progress: The HACCP specialist retained by KPEP visited four vegetable collection cooling centers - Bashkimi, Liria, Fruti, widow association in Krusha Madhe and Edona/Hosa in Rogova - to deliver instructions for pre-HACCP certification. The instruction was invaluable in avoiding improper construction during the construction phase and adaptation of existing buildings into a collection center. All four centers will be established and operational in 2011.

KPEP facilitation (direct and indirect) resulted in approximately € 1 million in vegetables sold during the fourth quarter.

Year 2 Progress: KPEP has identified several potential local investors involved in fruit and vegetable production or trading and has worked with them to locate facilities and develop their concepts. Fruit and vegetable centers are being developed in five locations: Liria Company in Klina/Klina, Fehim Rexhepi in Xerxe, Fruiti Trading Company in Podujevo, Beshkimi Company in Krusha e Madhe, and Edona Company in Gjakova/Djakovica municipality. KPEP is reviewing floor plans of Liria, Fruiti and Beshkimi so we can advise them on HACCP.

With collection centers well underway, KPEP assisted operators to identify markets for fresh peppers (Class I), as well as peppers for processing (Class II); 800 tons of Class I peppers were exported to Montenegro, Germany, and Switzerland at an average price of €0.30 paid to producers; 700 tons of Class II peppers were exported to Macedonia at an average price of €0.20 per kilo; Peppers sold by Kelmendi, Etlinger and Edona totaled approximately €435,000. Total KPEP-supported fruit and vegetables exports this year were approximately €1 million.

2. Develop and issue an RFA for SAF assistance to develop fruit and vegetable collection centers

4th Quarter Progress: The fourth proposal Hosa (formerly known as Edona) passed full grant approval by KPEP. In October, Intercooperation and KPEP agreed to cooperate on the establishment of a central apple/fruit storage facility.

Year 2 Progress: Following a review and evaluation of proposals received, we elected to fund four new centers for vegetables. Apple storage however is a little more problematic. Cold storage is effective for three months without effecting quality. Marketing apples in December may not provide a sufficient price differential to justify investment and operating costs, however these investments are continuing to be investigated across potential investors. Atmosphere-controlled storage is effective for 12 months. KPEP and Intercooperation have reviewed investment opportunities in atmosphere-controlled storage.

Benchmarks:

- KPEP will help establish one or more new facilities where vegetables will be sorted, cleaned, and packed. Accomplishing this will add 2 cents per kilogram to the price of vegetables and improve the position of Kosovo as a quality supplier. **(ACHIEVED AND EXCEEDED** - The established centers include: Bashkimi in Krusha Madhe, Hosa Fresh in Rogova, Liria in Budisalc, and Fruti in Podujeva/Podujevo).

Progress

Excellent progress was made on this objective. At the end of the reporting period, four fruit and vegetable collection centers were in the construction phase.

Agriculture: Fruit and Vegetable

Objective 3: Improve fruit and vegetable processing management and technology (NEW)

Activities

1. Assist fruit and vegetable processing firms in HACCP certification

4th Quarter Progress: Etlinger succeeded in producing 1000 Mt of preserved vegetables dedicated for export to Austria valued at €450,000. Biopak in Rahovec/Orahovac has begun pepper processing as a result of increasing demand for peppers from the Rahovec/Orahovac area. Biopak's delivery supply with the Agrocelina collection center and Perdrini is for an initial 100 Mt. Biopak required HACCP certification to penetrate export markets. KPEP granted Biopak a pasteurizer, which will allow it to triple production.

Year 2 Progress: KPEP provided processing and HACCP assistance to the Etlinger company, which seeks to expand the production of canned vegetables from 800 Mt in 2009 to 1000 – 1200 Mt in 2010. The company may delay HACCP certification because it is investing in a new pasteurizer, which may require modification of its existing structure to accommodate the equipment.

2. Provide technical assistance and support for the creation of new vegetable processing facilities

4th Quarter Progress: KPEP facilitated a linkage between Baga Food, a vegetable processing company in Bitola, Macedonia and the Hosa (formerly Edona) Company to cooperate on a vegetable processing line in the village of Rogova in the Gjakova/Djakovica municipality. Baga Food will supply machinery and other equipment, along with recipes for vegetable processing for the Hosa Fresh Company in Kosovo.

Year 2 Progress: KPEP provided assistance in production floor layout, HACCP, and a new business model to the Widow's Association of Krusha e Madhe. We do not know if the Widow's Association can be operational by the time peppers are harvested.

The Edona Company signed a five-year lease for a 1000 m² building in the Gjakova/Djakovica municipality. In 2011, the company will invest €100,000 for a collection facility; the company will expand its operations to include vegetable processing in 2011.

Benchmarks:

- KPEP will assist at least two processors to become operational and assist in expansion of at least one current processor (**ACHIEVED**).
- The new processors will be HACCP ready (**ACHIEVED**).

Progress

KPEP is on track to achieve anticipated results.

Agriculture: Fruit and Vegetable

Objective 4: Expand domestic market share and increase sales in export markets

Activities

1. Develop and execute a communications strategy for the promotion of Kosovo produced fruits and vegetables

4th Quarter Progress: No Specific activity in this quarter

Year 2 Progress: The concept to promote domestic fruit and vegetables at Kosovo's supermarkets and hypermarkets was developed with input from the domestic fruit and vegetable working group. In April, KPEP met with ETC, Ben-Af, Sunny Hill market, and Oaza market to prepare for the rollout of the campaign. Firms felt that issues of poor grading and higher cost made a collective campaign less effective. Additional issues include, higher cost in comparison with imports and the method VAT is applied to imports, as well as the fact that farmers are not registered companies.

2. Facilitate regional sales calls targeting Macedonia, Albania and Montenegro

4th Quarter Progress: A demand for Kosovo peppers by companies in the region following call-sale trips to Macedonia, Albania and Montenegro resulted in securing exports for Perdrini farmers in the region valued at €418,000.00, or 1900 Mt.

Year 2 Progress: We facilitated initial sales calls to processors and traders in Macedonia and Albania. KPEP provided assistance to the Perdrini Association to follow up with buyers in the two countries.

We facilitated trips to Bonum and Baga Food Macedonia for Perdrini to sell peppers and for Edona/Hosa to establish a vegetable processing factory in Kosovo. Hosa is a joint venture registered company in Kosovo by Edona owner and Fitim Hoti of Rogova village,

Gjakova/Djakovica. The company will begin vegetable processing based on cooperation with Baga Food. They will work jointly on a processing line supply and installation and recipes facilitated by KPEP. Moreover, 22 Mt of peppers exported from Krusha to the Sejega company in Tirana will be exported to Switzerland through Edona.

Edona identified three new pepper varieties in pepper test trials supported by KPEP for export to Switzerland in 2011.

3. Attend regional and international trade shows: Fancy Food New York, Plovdiv, Novi Sad and Tirana

4th Quarter Progress: Participation in the Fancy Food Show and follow-up: Two Kosovo HACCP certified companies were sponsored to attend the Fancy Food Show in June 2010 as exhibitors displaying their product samples at the USAID booth. The linkages established at the food show resulted in confirmed interest by three U.S. and Canada European Food distributors to import Kosovo food products in unlimited amounts. KPEP also secured contacts for all interested companies wishing to become registered with the Food and Drug Administration (FDA), the regulatory body for food imports to the U.S.

The relationship developed between the Perdrini Association and the ETC food retailer during the Fruit Logistica Trade Show in Berlin last quarter produced a contract for watermelon for 30 tons during the early 2010 season (approximate value was €50,000). The Perdrini Association began delivering the watermelon to ETC in June.

Year 2 Progress: Overall, KPEP's support for international trade show participation has generated good results.

4. Pepper pre-season outlook and B2B conference

4th Quarter Progress: Completed last quarter.

Year 2 Progress: The annual KPEP-organized Fruit and Vegetable conference was successfully held March 31 in Xerxe; 100 agribusiness stakeholders participated in the event.

5. Domestic fresh fruit and vegetable working group participation

4th Quarter Progress: The working group did not meet this reporting quarter. The core members of the working group are:

- Osman Fejza, wholesaler
- Mehdi Aliu, retailer supermarket, City Park
- Ragip Millaku, retailer, Tregu I Gjelbert
- Nevair Hazeri, retailer supermarket, Benaf
- Fatos Islami, retailer supermarket, ETC
- Naim Alickaj, retailer supermarket ETC
- Alajdin Fusha, retailer supermarket, Abi
- Latif Ajeti, wholesaler / retailer, Oaza

The members of the group are fruit and vegetable wholesalers and retailers (ETC is a supermarket chain). KPEP supported them to attend the Fruit Logistic Fair in Berlin.

Year 2 Progress: Same as above.

6. Create a model market intelligence system

4th Quarter Progress: No activity in this quarter

Year 2 Progress: The model market intelligence system focused on a few core products such as peppers, tomatoes, cucumbers, watermelon and apples. The critical data included regional pre-harvest estimates of the supply and demand for these commodities.

Benchmarks

- Kosovo becomes a reliable supplier of high quality fruit and vegetable products for fresh and processing markets with pre-harvest orders of 2,500 Mt in 2010, compared to 1,600 Mt in 2009 (**ACHIEVED**).

Progress

Progress under this objective has been excellent. In 2010, KPEP directly facilitated 2020 Mt through Perdrini and Edona; another 2200 Mt were exported through Etlinger and V-Kelmendi. The grand total was 4200 Mt or €1 million.

Agriculture: Non Wood Forest Products

Strategy

In Year 1, the market signaled demand for organic and HACCP certified non wood forest products (NWFP). The KPEP Year 2 strategy for NWFP was to add value in the supply chain through improved harvesting techniques, collection center development to reduce transaction costs and organic and HACCP certification. This sub-sector has not yet reached its potential to generate economic growth. Estimates for potential market expansion are €16 million by 2012. NWFP is a traditional sector that needs to adopt modern production and management practices. Much of the potential growth is related to identifying new markets and establishing Kosovo as a reliable supplier of quality products.

Agriculture: Non Wood Forest Products

Objective 1: Penetrate new markets

Activities

1. Attend trade shows in Europe and the U.S.

4th Quarter Progress: No activity in this quarter.

Year 2 Progress: In the first quarter, KPEP identified the most prominent trade shows for clients participation, including BioFach Germany, the biggest trade show in Europe for organically produced commodities, and the Fancy Food Show in New York, a specialty food show held June 26 - 30. During the second and third quarters, KPEP sponsored two companies, Agro Product Commerce and Euro Food, to exhibit at the New York Fancy Food Show. The companies exhibited dried wild mushrooms and canned products made from rose hips and other wild products. The main goal for Fancy Food Show participation was to add value to local companies' products and increase their exports.

As a result of the Fancy Food Show, Euro Food delivered samples to three food distribution companies (Marko Pollo, Rugove/Rugova) in the U.S. that agreed to import the non wood forest

and processed products from Kosovo. Agro Product Commerce negotiated an agreement to export NWFP to the Avanati Enterprise in the U.S, which will start next year.

2. Provide marketing assistance and market research to the lead firms

4th Quarter Progress: No activity in this quarter.

Year 2 Progress: KPEP assisted the Podujeva/Podujevo-based Agroprodukt Commerce Company, one of our five most promising database clients, to develop a positioning and communications strategy for 25 non wood forest products to be sold in consumer portion packaging.

Benchmarks

- Kosovo developed new market channels that resulted in market penetration leading to €6 million in sales in 2010. This was achieved due to an increase in sales prices and a rise in overall combined capacities (**ACHIEVED**).
- Agroprodukt Commerce developed packages of 450 gr of three berries and presented them to the local market (**ACHIEVED**).

Progress

Progress for objective was satisfactory. We achieved the €6 million sales target of organic certified commodities of NWFP in 2010 as a result of high requirements for export to the German market. The companies that had the major share included:

- Agroprodukt Commerce APC – Podujeva/Podujevo with wild mushrooms
- Agroprodukt – Syne with juniper berries and dried blueberries
- Hit Flores – Dragash/Dragas with juniper berries and frozen blueberries
- Euro Fruit – Pristina exporter of frozen and processed mushrooms and frozen blueberries.
- As Promet – Leposaviq/Leposavic exporter of frozen mushrooms and frozen blueberries.

Agriculture: Non Wood Forest Products

Objective 2: Develop new management and production practices

Activities

1. Provide assistance to establish HACCP and organic certification

4th Quarter Progress: We completed the HACCP application process for five companies (Agro Peti in Podujeva/Podujevo, Besianain Ferizaj/Urosevac, Scardu in Shterpce/Strpce, Farmers Cooperative Rugove/Rugova in Peja/Pec, and Agro Produkt in Syne). KPEP teamed up with the Swiss & Danish Horticultural Project to help with the implementation process.

Year 2 Progress: In the first quarter, KPEP developed training materials to train collectors on good wild collection practices. During the second quarter, the team trained 510 collectors of wild products and three companies (Hit Flores in Dragash/Dragas, Agro Produkt in Syne, and Euro Fruit in Mramor) received organic certification. In the third quarter, KPEP completed environmental reviews for the Besiana Association in Ferizaj/Urosevac and the Euro Fruti Company in Mramor-Pristina. Both companies handle, freeze and export wild mushrooms and berries for the export market.

2. Field demonstrations for cultivation of NWFP

4th Quarter Progress: No activity during the fourth quarter.

Year 2 Progress: Two Associations of berry producers, Rugova Cooperative (Peja/Pec) and Scardus Company (Shterpce/Strpce), have demonstrated interest in cultivating high bush blueberries. In the second quarter, KPEP signed a subcontract with MD Consulting, to plan and conduct high bush blueberry field demonstrations in five locations. MD Consulting produced a list of ten potential sites, including Shterpce/Strpce, Rugove/Rugova, Istog/Istok, Zhupa, Podujeve, Kamenice/Kamenica, Gnjilane/Gjilan, Dragash/Dragas, Leposaviq/Leposavic, and Lesak. KPEP engaged MD consultants to develop the criteria for the selection of five demonstrations sites. Once the sites were selected, we planned to have the consultant take soil

samples. KPEP decided not to progress to commercial plantings however until suitable investors were found to cost share the significant cost of imported 3 year old planting materials.

3. Facilitate the development of value chain efficiencies in collection management and satellite collection centers

4th Quarter Progress: KPEP visited five out of nine collection centers (F&V Association Eko Galic in the village of Socanica, Association Eko Sani in Prevala, Association Flore in Dragash/Dragas, Company Besiana in Ferizaj/Urosevac, and Company Fungo Kos in Kamenice/Kamenica), and deemed five operational, with the remaining to become operational in the next quarter.

Year 2 Progress: In the first quarter, KPEP released the RFA for the establishment of satellite collection centers for NWFP. Nine firms received SAF funding to develop satellite collection centers capable of storing and cooling NWFP, which will (1) improve quality by reducing fermentation and (2) reduce transaction costs by requiring less frequent transportation to processing facilities. The centers with cooling capabilities that have reduced costs and have improved quality are located in the following municipalities:

- F&V Association Eko Galic in village Socanica, Leposaviq/Leposavic municipality (a Serbian minority region)
- Association Eko Sani in Prevala, Prizren/Prizren municipality (Bosnian minority region)
- Association Flores (2) in Dragash/Dragas municipality, (Gorani minority region), Company Natura, village Koretiste in Gnjilane/Gjilan municipality
- Association Natural Fruti, the village of Prekovc, Novoberde/Novo Brdo municipality
- Company Fungo FF, Kamenice/Kamenica municipality
- Company APC, Podujeva/Podujevo municipality
- Company Besiana, Ferizaj/Urosevac municipality
- Company Fungo Kos, Kamenice/Kamenica municipality
- Company Univerzal Gip, Vushtrri/Vucitrn municipality

4. Conduct the annual wild blueberry conference

4th Quarter Progress: The annual wild blueberry conference was held July 16 in the Rugove/Rugova Valley. The 50 participants comprised mainly collectors, NWFP companies, and

other stakeholders. The main goal of the conference was to reinforce the NWFP sector network and provide information on new U.S. market penetration. Participants received a booklet on good collection practices.

Year 2 Progress: In the third quarter, KPEP signed a subcontract with a local consultant to plan and conduct the wild blueberry conference, which has become an annual event. The conference featured new market perspectives, various training for good collection practices, and opportunities for retail sales of frozen wild blueberries.

Benchmarks

- Five firms enter the HACCP certification process. **(NOT ACHIEVED, still in process).**
- Three firms acquire organic certification (Hit Flores in Dragash/Dragas, Agro Produkt in Syne, and Euro Fruit in Mramor) **(ACHIEVED).**
- KPEP establishes nine value adding collection centers in strategic locations to reduce transaction costs **(ACHIEVED).**

Progress

Progress on this objective was satisfactory. With the establishment of nine satellite collection centers, overall collection of NWFP has improved and sales have increased.

Forestry: Forests

Strategy

Kosovo's forestry sector is confronted with the reality that unless wood originates from certified forests and wood products can be traced through a certified chain of custody (CoC), market access is severely limited. Certified wood products will be the rule rather than the exception in Europe and North America, and to be competitive, Kosovo must address certification. Illegal logging, one of the ten principles and criteria for which Kosovo must address for certification, will be the greatest challenge. The Year 2 strategy for KPEP Forestry was to move forward with forest certification and to implement a parallel effort to address illegal logging.

Although an effective program to address illegal logging is a principle within FSC, KPEP developed a strategy to reduce illegal logging as a parallel effort. Illegal logging is pervasive and extremely costly. Past efforts to address this issue have failed due to the lack of a strategic approach. KPEP's Year 2 strategy was to strengthen 1) public awareness 2) community involvement and 3) law enforcement.

The law on forests limits forest concessions/leases to one year, but KPEP can assist the Ministry of Agriculture, Forestry and Rural Development (MAFRD) to develop a more transparent process for developing, issuing and awarding more appropriate tenders. There may also be options to develop renewable leases based on companies' development of a long term forest management plan or adherence to an existing plan. The most effective approach would be to integrate regional best practices into the tendering process.

Forestry: Forests

Objective 1: Forest certification through the Forest Stewardship Council (FSC)

Activities

1. KPEP Forestry Specialist will chair the Kosovo Standards Development Group

4th Quarter Progress: During the fourth quarter, KPEP followed up on the public consultation period (July 1 - September 1, 2010) of the forest FSC tested draft version 2.1, contacted numerous external stakeholders to inform them about the option to provide comments, and held a second National Workshop on September 14, 2010. The draft standard document developed as the result of this workshop was submitted to the chairman of the FSC Committee for Standards on September 16. KPEP also participated in meetings organized by MAFRD and forestry sector donors (SIDA, Embassy of Finland, SNV and FAO) to discuss progress and options for cooperation.

Year 2 Progress: FSC officially accepted the SDG in September, following a visit by an FSC official to assist with drafting the standard. Based on the recommendations and the work of the SDG, the first draft was prepared and finalized in November 2009. Public consultation for the first draft (undertaken December 2009 - February 2010) culminated in the first national workshop held February 2010. Woodmark Soil Association UK, the FSC accredited certification body tested the second draft in April 2010. Comments from field-testing were incorporated in version 2.1 in June 2010 and were sent for public consultation. The second national workshop was held Sept 16 2010 and the final of the standard version 3.0, together with a complete file on the process, was sent to FSC for approval immediately following the event.

The KPEP Forestry Specialist chairs the Kosovo Standards Development Group. Members include:

- Elez Krasniqi, University of Pristina, president of the environmental chamber
- Naser Bresa, Ecological Association of Prizren, environmental chamber
- Agron Millaku, MESP, environmental protection, environmental chamber
- Hajrush Kurtaj, MAFRD, president of the economic chamber

- Bekim Topalli, MAFRD KFA, economic chamber
- Sasa Vukadinovic, SOE Hrast, economic chamber
- Naim Ramadani, Assoc of Forest Engineers, president of the social chamber
- Bashkim Gashi, Private Forest Owner Assoc, social chamber
- Nijaz Tershnajku, Hunting Federation of Kosovo, social chamber

The SDG chair was responsible for planning, organizing and coordinating all activities between the SDG and other stakeholders in the forestry sector to adapt the FSC standard via consensus and communicate and update the FSC on progress in developing the FSC Kosovo standard. The SDG chair also (1) informed all stakeholders of the importance of drafting an FSC standard for Kosovo and the ensuing benefits of forest management certification, (2) provided technical assistance to KFA management, and (3) made recommendations on how to solve non-compliance related to meeting FSC requirements.

2. Develop a forest certification manual

4th Quarter Progress: This activity was completed in the third quarter.

Year 2 Progress: The certification manual is an adaptation of the *Survival Guide to Developing Forest Stewardship Standards* publication and is available on the KPEP website in Albanian, English, and Serbian. It is part of the implementation of the forest certification communication plan. The manual describes common-sense steps that underlie the whole process and outlines the development of standards. All members of the SDG and the consultative forum (individuals, governmental and non governmental organizations) have received the manual.

3. Develop Forest Certification Standards

4th Quarter Progress: Version 2.1 of the FSC forest-tested draft standard for Kosovo was presented for public consultation from July 1 to September 1, 2010. The document was available on the KPEP webpage, the popular business webpage www.Ekonomia-ks.com, and it was announced in the Koha Ditore daily newspaper. Upon completion of the 60-day public consultation period, KPEP organized the second SDG National Workshop on September 14 to present comments received as a result of the public consultation. The few comments received were incorporated and approved by all participants and the document was renamed the Kosovo

FSC standard version 3.0. On September 16, the final version of the FSC pre-approval draft standard, together with a complete file on the development process activities of the FSC standard for Kosovo was sent to FSC Forest Standards unit in Bonn, Germany for approval. FSC confirmed reception for accreditation of the FSC standard for Kosovo.

Year 2 Progress: The first draft standard was prepared and finalized in November 2009, based on FSC requirements and recommendations, officials responsible for accreditation of the national standard and the SDG work plan. Public consultation of the first FSC draft standard for Kosovo took place December 2009 - February 2010. The consultation period concluded with the first National workshop held February 2010, when the second draft standard version 2.0 was approved. Woodmark Soil Association UK, the FSC accredited body, approved the draft standard in April 2010. The comments received from field testing were incorporated into version 2.1 at the SDG workshop in June 2010. This version was presented for public consultation July 1 - September 1, 2010.

4. Identify at least three forest management units for forest certification

4th Quarter Progress: This activity was completed during the second and third quarters of this year.

Year 2 Progress: Three units were selected as candidates for forest management certification:

- Dragash/Dragas, Kortinik II forest unit;
- Kaqanik, Ahisht forest unit; and
- Decan/Decan, Kozhnjer forest unit.

The units were evaluated based on the rating of KPEP internal criteria. These included the level of control of illegal logging, commitment of management to improve quality of management operations, level of law enforcement, possession of a long term management plan, quality of planning and record keeping, current conditions of forest infrastructure, and forest area standing and harvesting potential volume.

5. Forest gap analysis

Fourth Quarter Progress: This activity was completed in the third quarter of this year.

Year 2 Progress: The gap analysis undertaken by KPEP and KFA officials indicated that record keeping, health and safety, illegal logging and respecting the local population's traditional rights to firewood collection were areas that required improvement. The analysis was an internal test of Kosovo forest management standards application to current practices. Under KPEP guidance, the forest management units improved record keeping.

6. Forest certification training for local stakeholders and communities within the candidate forest management units

4th Quarter Progress: This activity is now planned for Year 3.

Year 2 Progress: KPEP provided training to MAFRD and KFA personnel and to individuals working in targeted forest management units all throughout the forest standards development exercise. Further extensive training is planned for Year 3, when the Forest Stewardship Council approves the FSC draft Standard version 3.0 (March 2011).

7. Forest certification training for Ministry of Agriculture, Forestry, and Rural Development (MAFRD)

4th Quarter Progress: This activity is planned for Year 3.

Year 2 Progress: Same as Year 2 Progress for Activity 6.

8. Conduct pre-certification forest testing

4th Quarter Progress: The FSC reviewed draft version 2.1 and sent it to 51 of the organization's consultative forum members from July 1 to September 1, 2010, for public consultation.

Year 2 Progress: KPEP engaged Soil Association – Woodmark, a forest certification audit firm approved by the Forest Stewardship Council to conduct pre-certification forest testing of Kosovo's forest management standards April 21 to 23, 2010. The main conclusion of the forest testing was the following: *"Generally, the forest stewardship standards for the Republic of Kosovo appear to be robust and well established. The principles and criteria were further developed in indicators and verifiers, which are locally adapted."* Recommendations to further

develop the indicators and verifiers were a matter of discussion and decision by the Standards Development Group (SDG).

9. Chain of custody training for Association of Wood Processors of Kosovo (AWPK)

4th Quarter Progress: No training for AWPK was organized in this quarter.

Year 2 Progress: Same as 4th Quarter Progress. This activity is planned for Year 3.

10. Conduct a forest certification assessor's training

4th Quarter Progress: No updates.

Year 2 Progress: Although the gap analysis and forest testing provided preliminary training for key stakeholders, the formal training will be scheduled for Year 3.

11. Execute a forest certification plan

4th Quarter Progress: Continued preparation by KPEP advisor Ratko Matosevic.

Year 2 Progress: KPEP conducted five regional public meetings (January 15-28, 2010) to discuss forest certification and standards; the events attracted more than 180 participants. KPEP disseminated information on this topic via its website; KPEP forest certification consultant Ratko Matosevic gave several media interviews on forestry certification.

Benchmarks

- KPEP anticipates Kosovo will have two forest management units certified by October 2011 and an additional forest management unit certified by September 2012. – anticipated progress made toward achieving this objective.

Progress

Progress on this objective has exceeded expectations. The progress is on schedule to meet the stated benchmarks.

Forestry: Forests

Objective 2: Reduce illegal logging

Activities

1. Develop a national strategy to reduce illegal logging

4th Quarter Progress: No activity in Q4.

Year 2 Progress: In the first quarter of Year 2, KPEP produced a national strategy based in part on the development of a National Forest Board, which is part of the Law on Forestry. The National Forest Board would assume responsibility for coordinating and monitor the KFA, law enforcement relative to illegal logging, and the prosecution of offenders. The National Forest Board would report to the Prime Minister.

2. Implement key measures for the national strategy developed under Activity 1

4th Quarter Progress: No activity in Q4.

Year 2 Progress: Stakeholders and forestry experts interviewed recommended that the forest board concept be moved from a national board to municipal boards and that two pilot activities in Decan/Decan and Junik/Junik would prove beneficial in addressing local illegal logging. The STTA who developed the municipal concept developed a budget, which KPEP deemed too high to implement under current funding. We postponed this activity because some elements of the municipal forest board, such as monitoring, can be implemented at a later time with respect to forest certification.

Benchmarks

- Increased awareness among key stakeholders and the population in general about the extent and adverse effects of illegal logging. **(NOT ACHIEVED** - implementation process has not yet started yet).

- Development of a national strategy with key stakeholders, increased public awareness, local community involvement, and greater efforts by law enforcement (**ACHIEVED**).
- Illegal logging activity in the forest certification management units, identified in Objective 1, is reduced. (**NOT ACHIEVED** - this will happen following the implementation of illegal logging strategy).

Progress

Progress on this objective was satisfactory, given the operating environment, and the fact that we had to adjust our strategy due to the large financial burden some of the activities suggested by the advisors would have imposed.

Forestry: Forests

Objective 3: Improve government leasing and tendering practices

Activities

1. International best practices study

4th Quarter Progress: The BEE component took the lead on this activity. BEE (1) conducted a forestry tender reform assessment and developed a draft model contract for MAFRD, (2) conducted an analysis of the demand for certified and uncertified wood in Kosovo, and (3) commented on the new draft law on forests.

Year 2 Progress: KPEP conducted an on-the-ground survey of forestry tendering practices in Romania, Slovenia, and Montenegro and compiled the findings into a study of best practices in the region. The best practices ranged from short term leasing with heavy government oversight in Romania, to 20-year leases with heavy private sector responsibility for forest maintenance in Montenegro. The findings were presented to stakeholders in Kosovo, with the objective of exploring various combinations of public - private sector allocation of responsibilities.

2. Promote awareness of international best practices among key stakeholders

4th Quarter Progress: No activity in Q4.

Year 2 Progress: KPEP condensed the information found in the best practices study with the help of an international legal expert. We reviewed the possibilities for allocation of responsibilities between the public and private sector. We then presented these findings to MAFRD.

3. Support the development of Forestry PPP Model Contract

4th Quarter Progress: No activity in Q4.

Year 2 Progress: KPEP drafted a concept paper outlining our recommendations for reform of the tendering process using all information gathered to date. As a result, the MAFRD welcomed reform, and has requested assistance in drafting a new procedure into the Law on Forests. KPEP also provided a model contract that illustrates the public-private allocation rights and responsibilities.

Benchmarks

- Improved understanding by key stakeholders of international best practices in tendering and leasing procedures for forest assets **(ACHIEVED)**.
- Specific reform measures adopted by government **(ACHIEVED)**.

Progress

We have made good progress on this objective.

Forestry: Forests

Objective 4: Promote use of biomass as an alternative energy source

Activities

1. Key measures identified in the feasibility study undertaken in Year 1 are being implemented with support from KPEP

4th Quarter Progress: KPEP supported MV Leshak to set up production for line/processing biomass and producing briquette as a fuel for heating purposes.

Year 2 Progress: The key element for economies of scale in a biomass operation is access to timber harvest waste. In order to gain access, the biomass operation should have a lease, preferably long term, to collect timber harvest waste. KPEP has been working with a wood processor who can access the forests via a lease with the SOE Hrast in Leshak to procure a dryer adequate for drying chipped timber harvest waste.

Benchmarks

- At least one new investor invested in biomass production using wood and forest waste in the production of briquettes and/or wood pellets (**ACHIEVED** - MV Leshak is invested in this type of biomass production).

Progress

Progress under this objective was satisfactory

Forestry: Wood Processing

Strategy

The first year strategy for this sub-sector focused on developing new markets and products as well as strengthening the Association of Wood Processors in Kosovo (AWPK). KPEP continued implementing this strategy in Year 2, and invested more effort into understanding the needs of potential markets and development of new products that meet these international standards. Because this sector showed promising results, KPEP expanded the sector strategy to assist wood processors with improving production techniques and business practices. Activities in this area included business finance training, such as understanding a company's cost of production, improving the manufacturing process, developing export plans, and technology transfer.

KPEP further continued its efforts of building capacity at AWPK, to include assistance with annual planning, both programmatic and operational, training in advocacy, and development of additional services to its members.

Over the past two years, KPEP-supported wood processing companies had the opportunity to expand their markets to the domestic market, Albania, Montenegro and Western Europe (via a Danish buyer). Assisted companies gained better knowledge of market requirements and trends and this has resulted in increased domestic and export sales. In the future, this will lead to a boost in competitiveness overall, new designs and new products, and improved quality and manufacturing practices. Enhanced competitiveness will result in Kosovo's ability to manufacture products that compete with imports.

In Year 3, KPEP will continue to build on this strategy by retaining and developing the aforementioned markets while continuing to expand to other regional markets like Macedonia and Croatia. This approach will result in increasing export sales and import substitution (domestic sales).

Forestry: Wood Processing

Objective 1: Develop new markets and new products of international quality standards

Activities

1. Develop new business linkages

4th Quarter Progress: With KPEP support, Kosovawood signed a one-year contract with the Danish company Paas Products for €500,000. Paas Products placed an initial small order of 10 high value tables and considered the product to be quite satisfactory. Elnor also received an initial order of 50 chairs from Paas Products, with additional projected orders valued at €100,000.

Year 2 Progress: KPEP's wood processing advisor Bill Vernon, through his excellent contacts in the industry, introduced Kosovo furniture to several international buyers. One direct result of these activities, as well as Vernon's efforts to improve production processes and product quality, was the introduction of Kosovo-made furniture at the international furniture show in Barntrup, Germany in April 2010. Kosovo wood manufacturers met with Paas Products representatives. As of the end of the report period, the company ordered two deliveries valued at €10,000. The third order has been placed and will have a higher value. Specific products developed included:

- Kosovawood developed four sizes of tables, four types of cabinets and seven types of benches for Paas Products, under the brand *Extenzi Furniture*.
- Elnor developed a dining chair for PAAS.

2. Participate in regional and international trade shows

4th Quarter Progress: 46 wood processing companies exhibited at the Natyra 2010 wood processing fair June 10 – 13 in Pristina. For the second consecutive year, KPEP provided financial support to AWPK to organize the show, albeit at a lower cost share than last year.

Clients reported approximately €200,000 in furniture and equipment sales as a result of the event.

Year 2 Progress: Budva - With KPEP support, seven members of AWPK exhibited at the Budva, Montenegro furniture show in May. The event was the first opportunity for Kosovawood processors to exhibit their products in Montenegro. Results were as follows:

- Companies gained an understanding of end market demand in Montenegro, particularly in the hospitality sector (hotels and restaurants) and plan to continue to exhibit at this show in coming years.
- By applying lessons from trade fair preparation training held by the KPEP advisor, companies were well prepared and understood the importance of identifying a local partner.
- AWPK members sold products valued at €21,300.
- Both Lesna and Elnor set up a distribution network for the Montenegro market. The latest reported export sales were valued at €100,000.

KPEP assisted AWPK members with a visit to the Xylexpo woodworking machinery in Milan in May. The event allowed 24 technicians from 21 wood processing firms to learn about new technologies and industry trends. Companies purchased equipment in the amount of €200,000. A majority of the participants were interested in CNC machines and CNC software. Assisted companies have continued to stay in touch with machinery manufacturers. The Tefik Canga Design company has processed an order for a cabinet manufacturing production line valued at nearly €700,000.

3. Identify and develop new products

4th Quarter Progress: This quarter, KPEP supported the development and finalization of *Extenzi*, a set of furniture products represented by Denmark's Paas Products. Several other companies (suppliers of metal parts) were involved in product development. KPEP has worked with the Plus Company, Fabrika e Veglave from Ferizaj/Urosevac on developing and producing metal parts for *Extenzi* furniture products.

Year 2 Progress: The following products -- designed by a well-known Danish designer and made in Kosovo -- were exhibited in Germany in April (also see Objective 1, Activity 1). The achieved sales value is nearly €10,000:

- Dining room table, four different sizes, using solid beech wood and oak developed and manufactured by Kosovawood in Peja/Pec
- Sideboard made of solid beech wood and oak, developed by Kosovawood in Peja/Pec
- Cabinet made of solid beech wood and oak, developed by Kosovawood in Peja/Pec
- Bench made of solid beech wood and oak, developed by Hilmi Deva in Gjakova/Djakovica.
- Chair made of solid beech wood and oak, developed by Elnor/Pristina

Other successful new products and linkages were developed between:

- Ahikos/Ferizaj and Reading Furniture from the UK. Negotiations are progressing for deliveries of wood frames for upholstered chairs.
- Atele 33 from Gjakova/Djakovica and an Irish buyer, for resin handicrafts with a wood frame. Negotiations are progressing well.

Benchmarks

- KPEP will work with client firms to develop at least four new products or new designs for existing products (**ACHIEVED** - Objective 1, Activity 3; There are more than 20 new products developed and introduced to the market).
- The export market is attractive and as wood processors learn more about end markets, KPEP anticipates they will respond by entering into at least three new markets (**ACHIEVED** --- Wood processing companies have penetrated the Montenegro and Albania markets and have expanded to Western Europe via a Danish buyer).

Progress

Progress in this area has been excellent. Several new export-quality products were developed. Kosovo furniture was introduced into three new markets: Germany, Montenegro and Denmark.

Forestry: Wood Processing

Objective 2: Improve production techniques and business practices

Activities

1. Provide training on business finance

4th Quarter Progress: KPEP conducted manufacturing cost analyses with four companies to reestablish the following manufacturing plants: Lesna in Design, Euroart, Gacaferi and Tefik Canga Design.

Year 2 Progress: KPEP conducted manufacturing cost analyses with four companies developing new products: Kosovawood, Elnor, Hilmi Deva and Ahikos, Lesna in Design, Euroart, Gacaferi and Tefik Canga Design. The companies have acquired basic knowledge on cost centers and pricing policy and possible cost reductions are planned. Cost reductions on some of the manufacturing processes have been achieved. KPEP estimates a 3% cost reduction to the aforementioned client companies overall, a continuation from the previous quarter.

2. Support the development of export plans

4th Quarter Progress: Export strategy was discussed and developed with companies that will exhibit at regional and international furniture fairs: Elnor, Tefik Canga Design, Gacaferi, Djellza and Eurart will exhibit at the furniture fair in Zagreb, Croatia.

Year 2 Progress: As a result of better end market information, wood processing companies are able to develop a plan that targets a specific market with a solid product. KPEP's assistance in this area has enabled Kosovawood to become a solid wood furniture manufacturer and exporter. KPEP established several linkages for the company and is contributing to the development and implementation of an export strategy. KPEP's export strategy assistance to Elnor helped the company to become a reputable manufacturer of medium and high-end chairs. KPEP also supported Ahikos to produce medium and high-end upholstered furniture. These companies are

positioning themselves in the market as professional manufacturers of distinctive products. As a result of its success, the wood processing sector is well on its way to becoming a key player in the industry.

3. Provide assistance to improve manufacturing processes

4th Quarter Progress: KPEP conducted manufacturing process analyses with four companies to reestablish their manufacturing plants: Lesna in Design, Euroart, Gacaferi and Tefik Canga Design.

Year 2 Progress: KPEP assisted several companies to improve their manufacturing processes. This assistance has been directly linked to the establishment (through Bill Vernon's efforts) of business linkages with international buyers who demand higher quality and better-designed products. Vernon has invested considerable time into teaching the firms how to improve the quality of their products.

KPEP has also assisted AWPK members with a visit to the woodworking machinery show Xylexpo in Milan in May. Support included fair participation preparation, translation and technical advice. The event allowed 24 technicians from 21 wood processing firms to learn new technologies and industry trends. Companies purchased equipment in the amount of €200,000. A majority of the participants were interested in CNC machines and CNC software.

Benchmarks

- Companies will better understand their internal cost structures. They will establish plans to improve processes, increase exports, and develop furniture design skills. **(ACHIEVED)**.
- In the long run, wood processors have higher quality products and increased market share. **(ACHIEVED)**.

Progress

Progress in this area has been satisfactory. Assisted firms are reducing costs and meeting the quality requirements of international buyers.

Forestry: Wood Processing

Objective 3: Strengthen the Association of Wood Processors in Kosovo (AWPK)

Activities

1. Assist AWPK in developing and implementing its annual plan

4th Quarter Progress: No activity this quarter.

Year 2 Progress: KPEP continued to assist AWPK to strengthen its plan.

2. Support AWPK to participate in international initiatives

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4th Quarter Progress: As a result of an agreement between UEA (European Federation of Wood Processors) and AWPK, the Association is now *the* recognized Kosovo wood industry representative at international organizations such as the UEA. AWPK participated in the annual UEA meeting in Brussels this quarter.

Year 2 Progress: AWPK and UEA agreed to implement training on EU rules related to safety at work in the wood processing industry. KPEP assisted AWPK in its initial communications with UEA.

KPEP worked closely with AWPK and IPAK on planning further activities related to export and investment promotion. As a result, IPAK has granted AWPK financial support in order to fulfill planned assistance at trade fairs and B2B events.

3. Support Kosovo Standards Agency (KSA) and wood products development committee to identify, adapt, and implement EN standards

4th Quarter Progress: No meeting was held this quarter.

Year 2 Progress: KPEP continues to be an active member of the standards committee.

Benchmarks

- KPEP will improve AWPk's financial sustainability and enhance its ability to provide value-added services to its members, including lobbying and advocacy, and providing up to date information (**PARTIALLY ACHIEVED** - Financial sustainability of AWPk improved with UEA support, but it is not yet strong in lobbying and advocacy).
- We expect AWPk's rating on the KPEP Association Development Index to increase as a result of these initiatives (**ACHIEVED**).

Progress

Progress on this objective has been satisfactory.

Construction: Road

Strategy

KPEP's strategy is to improve road design, improve the skills of construction workers and improve the quality of selected road construction companies. In Year 2, KPEP organized Heavy Equipment Operator training and a lecture series on Road Infrastructure. KPEP will continue to establish sustainable programs to improve road design and to enhance the skills of construction workers.

Construction: Road

Objective 1: Improve local road design capability

Activities

1. Draft and sign the MOU between KPEP and MTC

4th Quarter Activities: On September 2, 2010 KPEP signed a general MoU with MTT (Ministry of Transport and Telecommunication) to (1) provide technical support on best international practices for road design and (2) to conduct a study on a Pilot Road. This Pilot Road project will help MTT to set up standard procedures for:

- Tendering procedures for road study and engineering design,
- Road construction
- Road construction supervision.

The Pilot Road project will also serve as on-the-job training for MTT technical staff to adopt international best practices for contract evaluating procedures, contract administration and evaluation of submittals. The draft of the Action Plan for the Pilot Road Project was submitted to MTT and is now being finalized.

Year 2 Progress: In Year 2, KPEP worked with MTT to identify areas where KPEP can provide technical support to improve road design quality and increase the capability of road design

companies. Two projects have been selected to address these areas: the Pilot Road and the Heavy Equipment Operator Training Center. KPEP will provide technical advisory support for both projects. The Texas Transportation Institute will offer technical advisory support for the Pilot Road, which comprises the 9 km segment of highway between Pristina and Peja/Pec. The tentative performance period for this activity is December 2010 – September 2011.

2. Provide technical assistance and training for a feasibility study and for detailed design and technical specifications

4th Quarter Progress: Following the initial series of lectures on Road Design, KPEP is preparing (in cooperation with University of Pristina and Texas Transportation Institute [TTI] of Texas A&M University) specialization courses on Road Pavement Design. Kosovo does not yet have an education system for Road Infrastructure so it is critical that Kosovo road design and construction engineers enhance their professionalism in road construction related activities (design, construction and supervision). Implementation of international best practices for road planning and design via the Pilot Road, the specialization of local engineers for road design and the supervision organization for local engineers, will increase contracts for road design and supervision companies. This activity will be conducted in Y3.

Year 2 Progress: KPEP partnered with the Faculty of Civil Engineering and Architecture at the University of Pristina and the Texas Transportation Institute of Texas A&M University to conduct a series of lectures on Road Design. Geza Pesti, PhD, led the two-week sessions. Topics covered included:

- Basics of a Feasibility Study
- Principles of Highway Geometric Design
- Road Design Standards

Certificates were awarded to 56 regular participants at the end of the series; 20 undergraduate and graduate students from the Faculty of Civil Engineering and Architecture; 28 engineers from private companies; 6 representatives of the MTC and 2 teachers.

3. Produce a documentary film on safety and road design and construction

4th Quarter Progress: We completed and distributed the documentary film *Challenges for Road Safety* to several local TV stations agreeing to free airtime.

Year 2 Progress: In cooperation with the EULEX Traffic Police, KPEP prepared a documentary film on actual road conditions in Kosovo and the challenges Kosovo faces to build safer roads. The purpose of the documentary film was to increase the general public's awareness regarding safe roads and to serve as a training tool for relevant institutions like traffic schools and traffic police students. The film production company Koperativa prepared the film.

Benchmarks

- Build capacity in the Government of Kosovo (GoK) to review designs and ensure compliance (**NOT ACHIEVED** - We were planning to achieve this via the Pilot Road Project but since it was not completed in Year 2, we have thus shifted it to Year 3).
- Train at least 50 road design professionals and implement a train-the-trainers program to ensure sustainability (**PARTIALLY ACHIEVED** - In Year 2, KPEP organized the first in a series of lectures on Road Infrastructure; 56 engineers were trained on general principles of road infrastructure. Based on the outcome of this lecture, KPEP has learned that specialization courses must be organized in order to ensure sustainability).
- Increase the percentage of the road design budget spent on work done by Kosovo engineers, either acting independently or in joint venture partnerships (**NOT ACHIEVED**).
- Create specialized course in order to properly train/certify designers to produce detailed design (**PARTIALLY ACHIEVED** - we organized the first lecture series on road infrastructure).

Progress

Progress under this objective was less than satisfactory. Changing Circumstances caused delays in implementation. KPEP signed (later in the workplan year than anticipated) an MOU with the Ministry confirming intention to cooperate on a best practice Pilot Road project. We are in the final stages of completing the Action Plan. Good progress was made, on the other hand, in the training component: Over 50 people were trained in KPEP's two-week road design lecture course at the University of Pristina's Faculty of Civil Engineering. This will open the door to organizing a more detailed and focused specialization on Road Design. We completed and distributed the road safety documentary to most of the local TV stations.

Construction: Road**Objective 2: Upgrade the skills of construction workers**

Activities**1. Draft and sign MOU between MTC and KPEP**

4th Quarter Progress: On September 2, 2010, KPEP signed an MOU with the Ministry of Transport and Telecommunication to cooperate on establishing a permanent self-sustainable Heavy Equipment Operator Training Center. Since there is no HEOTC in Kosovo, this center will have a direct impact on enhancing skills and improving operations for Heavy Equipment Operators. The signed General MOU covers cooperation in establishing the HEOTC and the Pilot Road project. A separate MOU will be signed with MTT specifying each party's commitments and obligations toward the center.

Year 2 Progress: Same as 4th Quarter.

2. Develop curriculum and start a training course for HEOTC

4th Quarter Progress: No activity in Q4.

Year 2 Progress: In the third quarter of this year, KPEP organized Heavy Equipment Operator training in cooperation with RCAK KPEP; 42 construction workers were trained and received internationally recognized certificates as Heavy Equipment Operators. This was an eight-week training conducted by HeviCert, a U.S. training company. Students were trained and certified as operators for the following equipment:

- Roller Compactor
- Wheel Loader
- Hydraulic Excavator
- Backhoe
- Bulldozer

- Motor grader

The training was well received by both the students and the road construction companies. Following the successful completion of HEO training, construction companies have shown greater interest in sending employees for training. This is one indicator of HEOTC sustainability.

3. Take measures to establish the HEOTC as a sustainable training institution in Kosovo

4th Quarter Activities: Following the completion and outcome of the business plan, KPEP met with different stakeholders, including the Kosovo Energy Corporation, the Vocational Education Training School in Skenderaj/Srbica, the Royal Norwegian Embassy, the Road Construction Association of Kosovo, Teknoxgroup-CAT as well as Ministry of Transport and Telecommunication, to discuss the most appropriate approach and direction for establishing a sustainable HEOTC. KPEP is working with stakeholders to select the option that best serves road construction companies.

Year 2 Activities: Following the successfully completion of training and the high demand it has generated, KPEP worked to establish a permanent sustainable HEOTC. KPEP initially prepared a business plan and a feasibility study as a road map to establish the HEOTC. KPEP met with various institutions and stakeholders like the Ministry of Transport and Telecommunication, the Ministry of Education, the Ministry of Labor, the Road Construction Association of Kosovo, lead road construction companies, Bechtel Enka and the Kosovo Energy Corporation, to present the business plan and discuss next steps for establishing the HEOTC.

Benchmarks

- The Year 2 Work Plan foresees that by the end of Year 2, KPEP will have trained:
 - 40 heavy equipment operators (**ACHIEVED**).
 - 5 asphalt laying equipment operators (**NOT ACHIEVED**).
 - 12 quarry workers (**NOT ACHIEVED**).
 - 20 job applicants integrated into the workforce (**NOT ACHIEVED**).
 - 5 trainers. (**NOT ACHIEVED**)

Progress

Progress under this objective was less than satisfactory. KPEP did not manage to meet its objective of establishing the Heavy Equipment Operators Training Center by the end of Year 2. Initial calculations required more research to ensure sustainability of the Center. Particularly, it was essential to prepare a feasibility study and a business plan to ensure optimal set-up and use of the needed investment (mid-way through Year 2). While this effort was ongoing, KPEP decided to hold a one-off training for heavy equipment operators. The high interest in additional trainings confirmed the need for a permanent center: We trained 42 Heavy Equipment Operators in Year 2. This program was considered a major success. KPEP has since been approached by numerous stakeholders with requests for additional training in heavy equipment operation and other road construction skills. KPEP also finalized the business plan for HEOTC and signed an MOU with the MTT confirming our intent to cooperate on this venture. KPEP is now in the process of identifying the best mechanism for establishing the HEOTC. The options KPEP is currently considering include: 1) support the Kosovo Energy Corporation to expand its already existing center to provide HEO training and 2) in cooperation with MTT, establish an independent HEOTC. In Year 3, KPEP will decide which of these two options we will pursue and move forward.

Construction: Road**Objective 3: Improve the ability of selected road construction companies to meet international standards**

Activities**1. Assist lead road construction companies and producers to improve operations**

4th Quarter Progress: In June 2010 needs assessment survey was conducted with the Texas Transportation Institute's Rafael Aldrete, to identify specific areas of support which would assist companies improve their operations. The survey identified the following activities for KPEP support:

- Organize Heavy Equipment Operator training; KPEP is already working to establish a permanent HEOTC.

- Provide training on road design and road construction management; KPEP has already planned a specialization course for Year 3.

Year 2 Progress: The survey revealed that initial pilot training for HEO is very timely and should continue. Following the successful completion of training and the high demand it has generated, KPEP worked to establish a permanent sustainable HEOTC. In addition, initial preparatory work has been done to address the road design training needs. More intense trainings have been planned for KPEP Year 3 activities (to be conducted during the non-construction season).

2. Assist lead road construction companies and producers to improve production processes and meet standards

4th Quarter Progress: Based on a June 2010 needs assessment survey conducted by KPEP, we developed an activity plan for Year 3. The support initiatives identified will be implemented in the off-season. . During the final quarters of Year 2, KPEP prepared activities aimed at the industry, rather than specific companies. The details of these activities are included in the Year 3 work plan.

Year 2 Progress: Same as of Q4.

Benchmarks

- KPEP will provide technical assistance to selected road construction materials companies to help them meet international recognized standards. Result of this effort will include:
 - More than 80 civil engineers, site managers, technicians, and inspectors trained. **(PARTIALLY ACHIEVED).**
 - More than €300,000 in new investment for assisted firms to improve technical production standards **(NOT ACHIEVED).**
- Local firms will realize sales of €20 million for asphalt **(NOT ACHIEVED)**

Progress

Progress on this objective has been much slower than anticipated. This is partly because our targets in this area were very ambitious and depended largely on GoK cooperation. This is the

case for both the Pilot Road and the Heavy Equipment Operators Training Center; we also revisited some activities planned at the beginning of the year and decided not to pursue them, such as the asphalt/quarry training. We achieved our goals in road design training, heavy equipment operator training, and the road safety documentary.

Construction: Road

Objective 4: Improve management practices and operations of selected construction firms, including assisting in contracting and access to credit

Activities

1. Seminar on model contract

4th Quarter Progress: No activity performed during Q4.

Year 2 Activities: KPEP organized a seminar for construction industry professionals on the role of FIDIC, FIDIC Construction Works and Professional Services Contracts. The seminar was held on May 25. For more information on the construction industry seminar series, please see below in “Construction Materials”.

2. Seminar on access to credit

4th Quarter Progress: KPEP joined forces with the Kosovo Banker’s Association to organize a July 12 workshop for banks and construction companies. The purpose of the session was to bring together banks and construction companies and to discuss ways to improve upon financial (access to finance) issues. Workshop participants included:

- NLB Bank
- BPB Bank
- Raiffeisen Bank Kosovo/Procredit Bank
- Hidroing-DK
- MA+P
- Fitorja
- Lin Projekt
- Bejta Commerce
- Izolimi
- GM Architecture

Workshop topics included:

- Main Types of Guarantees
- Concept of Lease on the Construction Industry
- Loan vs. Overdraft
- Flexibility of Banks on Terms of Collateral
- Domestic and International Payments

Companies became familiar with a number of procedures related to banks and access to finance. See BSS section for further details.

Year 2 Progress: Same as Q4.

Benchmarks

- Assisted firms will improve management practices leading to better access to credit and more sophistication in contracting. At least 15 firms to attend each of the seminars. Assisted firms demonstrate:
 - Better and more efficient contracting relationships (**NOT ACHIEVED** - We did not achieve this benchmark because road construction companies did not wish to participate in seminars during the work-season).
 - More loans to construction firms that are not based on real estate collateral (**NOT ACHIEVED** - We did not achieve this benchmark because Kosovo banks did not agree to begin issuing loans that are not based on real estate collateral).

Construction: Materials

Strategy

The strategy for construction materials focuses on improving the architectural design/engineering services in the construction design industry and on assisting building materials manufacturers (BMMs) to be more competitive in meeting local, regional and international demand.

Activities include a professional training organization and support to the Ministry of Environment and Spatial Planning (MESP) to establish the professional licensing system for architects and engineers. Activities also include technical assistance support to improve product quality, internationally certify products, provide training on marketing and sales, and to support business linkages.

KPEP's second objective aims to provide (BMMs) with technical assistance to improve their production efficiency, product quality and to meet international standards.

In order to expand markets for construction materials products, it is essential that Kosovo firms hoping to decrease imports and enter new markets adopt internationally accepted standards for manufacture. KPEP supports implementation of such standards at the firm level and through appropriate associations. KPEP also supports building materials manufacturers with marketing and sales trainings and customer business improvement.

To date, we have identified 6 manufacturers that have the ability to absorb KPEP assistance and increase their market share: The brick factory Tulltorja from Landovice, Prizren/Prizren; the paint, adhesives and facade factory Ecocolor in Vushtrri, the PVC and aluminum doors and windows Factory ABC Plast in Prizren/Prizren; the metal production and galvanizing factory Vinex Fasteners in Viti, the metal construction preparation and installation factory Celiku in Gnjilane/Gjilan and the cable factory Progresi in Gnjilane/Gjilan.

Construction: Materials**Objective 1: Improve architectural design and engineering services**

Activities**1. Train engineers, architects, and other participants in the building materials value chain on writing technical information and specifications**

4th Quarter Progress: The fourth activity in a series of professional trainings included a more technical workshop on August 4 and 5. KPEP STTA Jeffrey Callahan focused on writing construction specifications. The workshop was offered to 10 practitioners in the building design industry (regulatory bodies at the central and local levels, the university, architects and engineers, construction companies and professional associations) who wished to learn more about or improve their ability to prepare the written technical requirements for construction products and materials. Workshop participants conducted product research and evaluation and had to prepare one specification section for a sample project.

The workshop also focused on construction contract administration, a topic important for project management and administration practitioners who wished to improve their skills and knowledge of contract administration procedures and techniques. The session covered commonly used contract administration requirements and examined methods and procedures for the effective and efficient implementation of these requirements.

Year 2 Progress: In Year 2, KPEP successfully organized four continuous professional development trainings for architects, engineers and other design industry stakeholders. These activities were organized under the theme *Construction in Kosovo: Opportunities and Challenges for the Kosovo Building Industry*, in order to assist the Kosovo industry to adopt and integrate international best practices in regular business processes to make certain procedures are smooth and successful.

KPEP has exceeded the number of activities outlined in the Year 2 work plan. Four activities (two-day training seminars organized each quarter) concluded with eight half-day sessions. The subjects were mainly chosen as per the requests of industry participants. Seminar presenters included international STTAs. The average number of participants was 50 participants per day.

Topics for the six training seminars and two workshops included:

- Roles and responsibilities in the design and construction process, December 17-18, 2009
- Construction documents, December 17-18, 2009
- Building codes, permitting and inspection, December 17-18, 2009
- Professional Licensing for Architects, March 10, 2010
- Client – Architect relations for Architects, March 10, 2010
- Writing effective construction specifications, March 11, 2010
- Using specifications during construction, March 11, 2010
- The Consulting Engineering Industry, May 25, 2010
- Role of FIDIC, FIDIC Construction Works and Professional Services Contracts, May 25, 2010
- Green Construction - Building for Sustainability, May 26, 2010
- Introduction to Sustainability Rating Systems, May 26, 2010
- Construction Specifications, August 4, 2010
- Construction Contract Administration, August 5, 2010

These seminars and workshops allowed industry participants to upgrade their professional skills with the latest best practice, which will lead to more quality engineering services and more quality building construction. These activities represent continuing professional development trainings that are normally organized by professional chambers. Once Kosovo has a sustainable professional Chamber for Architects and Engineers, this will be part of its responsibility.

2. Support stakeholders to establish the process for licensing of architects and engineers

4th Quarter Progress: The July 19 meeting was the third formal gathering of the WG to establish professional licensing for architects and engineers. The meeting focused on three areas:

- General progress of the Law on Construction

- Detailed revised proposals for Articles 81-86 of the proposed Law (which deals with the professions of Architects and Engineers)
- Progress with professional test proposals

There was considerable discussion about the creation of a ministerial Special Commission to oversee the first Assemblies of the Architects' and Engineers' organizations. The next WG meeting is planned for the third week in October. This WG meeting should finally approve the newest administrative Instruction of the professional exam, which will be sent to the Ministry for approval.

Year 2 Progress: Since March 25, when KPEP and the Ministry of Environment and Spatial Planning (MESP) signed an agreement to work jointly on the establishment of a professional licensing system of architects and engineers, progress of this activity has been considerable.

On April 8, the Ministry of Environment and Spatial Planning decided to formalize the Working Group that will establish professional licensing for architects and engineers. The WG is chaired by MESP and includes MEST, MTI, the University of Pristina's Faculty of Civil Engineering and Architecture, AAK and the Association of Structural Engineers. KPEP serves as an advisor and participates in WG meetings.

To date, questions raised during WG meetings have been discussed, clarified and approved. Flexibility and consensus agreement between WG stakeholders and the MESP will be critical if the system is to be established by the end of 2010.

KPEP has selected the UK based STTA Roger Shrimplin to support this very important objective for the engineering services and construction industry in Kosovo. Shrimplin conducted an initial fact finding mission to Kosovo, met with the primary stakeholders, and delivered a report on the current status and recommendations for moving forward. He is guiding the DG through the process and helping to draft appropriate regulatory language. To date, three official meetings (April 27, June 16 and July 19) were held at MESP offices. The main issues to be solved before the end of 2010 include:

- Approval by the WG and the Minister of the newest draft Administrative Instrument on the professional exam. This approved Administrative Instrument as a bylaw will regulate all details for implementing the professional exam.

- There will be two new chambers, one for Architects and one for Engineers (including different classes of engineers, such as structural, civil, HVAC, electrical and mechanical engineers). The two chambers will be legally recognized by the MESP.
- WG agreement should be finalized with respect to the professional licensing article in the newest construction of the draft law.

During the most recent WG meeting, there was considerable discussion about the creation of a ministerial Special Commission to oversee the first Assemblies of the Architects' and Engineers' organizations/chambers. It was agreed that the creation phase of the new professional organizations was of particular concern for the professions (and others). It was also agreed that establishing them as respected and viable organizations would be compromised if interim provisions were not both fair and transparent. WG participants decided to define the Experts Commission system at the October WG meeting.

Benchmarks

- Increase the professional development of design and building construction industry practitioners, including architects and engineers, building contractors, government regulators and building materials manufacturers. **(ACHIEVED)**.
- Hold at least three seminars during this year and reach at least 40 professionals (20 individually employed architects; 10 company employed architects; 10 post-graduates and architectural students and other stakeholders in the building materials value chain). **(ACHIEVED)**.
- KPEP will help establish a formal working group that will develop:
 - produce specific recommendations necessary for the establishment of a licensing process,
 - provide evaluative opinions to the Ministry of Environment and Spatial Planning (MESP)-led Working Group's (WG) on the development of architectural and engineering licensing processes in Kosovo and
 - In cooperation with the WG, define the administrative and content requirements for a professional examination for architects **(ACHIEVED)**.

Progress

Progress to train architects, engineers and other stakeholders in the architectural and engineering services industry was satisfactory. We exceed the goals under the first activity in terms of the targeted number of professionals participating in seminars.

Progress to establish a system for professional licensing is on track and satisfactory to date. It is difficult to assess our efforts at this point, as we have yet to see when architects and engineers are able to sit for the exam and receive a license. Tangible results will depend on the level of cooperation by MESP and other WG stakeholders. If the WG does not focus on this, the establishment of the process will be delayed and will have to continue early next year.

Construction: Materials

Objective 2: Assist selected building material manufacturers to become more competitive in meeting local, regional, and international demand

Activities

1. Identify firms and products with high potential for import replacement and export

4th Quarter Progress: KPEP continued to work with the identified five building materials companies.

Year 2 Progress: KPEP's new Construction Specialist (CS) who started working with us in February inherited a list of 15 companies we selected to support. KPEP's CS visited these companies to assess their potential and their interest in working with KPEP. The result was that 5 companies out of 15 demonstrated commitment for KPEP support..

2. Provide technical assistance to target companies to improve production efficiency and meet international standards

4th Quarter Progress: KPEP supported the Ecocolor Company to improve the quality of its products, product certification and provide opportunities to launch new products. This activity is

geared toward investing in instruments that can test final products to EN specification, and can control some parts of the technological process.

Year 2 Progress:

KPEP identified the company Vinex as one of the firms that has potential for improving its production process. It is interested in launching a new guardrail line for roads. Our support is directed at helping Vinex to certify this important product for the Kosovo market. We anticipate the line to be functional at the beginning of November. KPEP also identified the firm Ecocolor as a firm that has the potential to be a competitor on the local and regional market. Along with Ecocolor, we identified that they needed to improve their technological process, and complete the technical documentation/conformity declaration to support the launch of new products. The support complements Ecocolor's ecological values and will enable Ecocolor to improve its market position.

3. Improve marketing, business linkages and customer services

4th Quarter Progress: During our evaluation of BMM needs, KPEP found out that most of the BMMs asked KPEP for marketing and sales skills training. An initial training session on marketing and sales was held July 1-2. Prior to the training sessions, Riinvest trainers visited BMMs. They collected data and adapted the training sessions to BMMs interests. The first day focused on the many challenges of marketing Kosovo BMM' products. BMMs had the opportunity to actively engage Riinvest trainers. The second day covered simulation of the moment of sale and blueprint marketing, which included a role-playing session for BMMs.

Year 2 Progress: After identifying BMMs, KPEP organized a two-day training on marketing and sales led by Riinvest, a local consulting company. To date, KPEP has identified the most pressing areas for BMM support in order to increase competitiveness. A number of actions have not yet been implemented.

Benchmarks

- KPEP will select (through an RFA or similar process) at least 10 local building materials producers (likely terracotta products, blocks and bricks, electrical wiring, painting, doors and windows, flooring, steel products in construction, and plastering) and assist them to become

more competitive both domestically and in targeted export markets. **(PARTIALLY ACHIEVED** - To date, KPEP has identified 5 BMMs.

- To the extent that certification is a prerequisite for exports of specific products and materials, KPEP will support these firms in their goal to achieve such international certification. Assisted firms will improve the quality of products and services, improve production efficiency, and as a result, increase sales, and create new jobs **(PARTIALLY ACHIEVED** - To date, KPEP has supported some companies with technical assistance, but results are not expected for some time).
- KPEP will support local producers to participate in trade shows and B2B events so they can establish new business linkages **(NOT ACHIEVED)**
- Three locally manufactured building products to receive international certification **(NOT ACHIEVED** - three companies are in the process of receiving certification.
- At least one firm exports a product to a new market **(NOT ACHIEVED)**.

Progress

Progress on this objective was less than satisfactory. Since we have identified five BMMs however, we have a better understanding and vision for next steps. We have made good progress since the middle of Q3 through Q4.

Information Communication Technology (ICT)

Strategy

ICT is a relatively new and undeveloped industry sector in Kosovo. The KPEP ICT sector strategy focuses on developing activities that will lay the groundwork for future growth in the industry.

KPEP's Year 2 activities are based on four objectives:

- 1) Improve marketing and sales capabilities for selected firms and expand market linkages
 - 2) Improve workforce skills and support job placement services in the ICT sector
 - 3) Strengthen ICT Association and
 - 4) Improve the legal and regulatory environment of the ICT sector
-

ICT

Objective 1: Improve marketing and sales capabilities for selected firms and expand market linkages

Activities

1. Regional ICT B2B events

4th Quarter Progress: KPEP contracted the Kosovo ICT Association STIKK to organize, in collaboration with the ICT Association of Albania (AITA), two regional B2B events in Kosovo and Albania. Initially proposed by the Association for December 2009, the first B2B event in Tirana was held July 2010. The delay was a result of the ICT Association's very busy schedule and a lack of interest by the members during the early part of the year. The B2B Meeting in Albania was held in Tirana for 111 participants including 11 company representatives from Kosovo, 71

company representatives from Albania, 3 company representatives from Macedonia and 26 guests from Government Institutions and Non-Profit Organizations.

Year 2 Progress: While the B2B meetings garnered some results, they were not sufficient to continue with the organization of an event in Pristina. In addition, RCI had held two regional IT B2Bs, one in Sofia in October 2009, and one in Skopje in April 2010. The event in Skopje was attended by seven ICT firms from Kosovo, but we have no confirmed concrete outcomes from these events. As a result, KPEP and STIKK agreed that hosting yet another event was not an efficient use of project and association resources.

2. Workshop/Conference on Outsourcing

4th Quarter Progress: This activity was co-funded by IPAK and hosted by STIKK on April 8. KPEP advisor Michelle Messina conducted a very successful workshop designed to increase awareness of business process outsourcing (BPO) opportunities for the Kosovo ICT industry. The event featured presentations by three reputable local companies -- MC Communications, 3CIS, and Zero Pozitive Publicis -- who presented their BPO experiences. IPAK and the Telecommunications Regulatory Authority presented their plans and strategies for the BPO sector, particularly ICT and Call Centers in Kosovo. Conference attendees included 26 participants from 18 companies, representatives of IPAK, TRA, MTPT and STIKK. The event received excellent coverage in local media, including TV Dukagjini, www.Kosovaexpress.com, Bota Sot and Kosova Sot newspapers.

Year 2 Progress: The idea of FDI from an expert BPO/Call Center country such as India was also presented and well received. The BPO/Call Center sector is very small and has a great potential for growth in outbound sales and inbound customer care centers. In the next fiscal year, we will focus on growing the outsourcing industry. KPEP plans to focus more on this sector by attracting FDI from leading BPO countries such as India and the Philippines to explore opportunities with Kosovo Diaspora.

3. Support for the development of inbound call centers

4th Quarter Progress: Completed in Q1.

Year 2 Progress: In Q1, KPEP commissioned a survey of Kosovo call centers with Index Kosova. The purpose of the study was to identify the number and type of call centers that exist in Kosovo, their main activities and their perceived training needs. The results of the study revealed tremendous developments in the call center sector in a very short time, and suggested areas of intervention. The survey results fed into the design of the *Workshop on Outsourcing* activity, where the study was presented. KPEP is also preparing an RFP for call center training, and is in contact with a few existing call centers to provide them with target assistance. This assistance includes training for call center agents.

4. B2B Portal

4th Quarter Progress: KPEP canceled this activity due to questions about its long-term financial sustainability.

Year 2 Progress: Activity canceled

5. E-Marketing Workshop

4th Quarter Progress: Activity completed in Q2.

Year 2 Progress: Three e-marketing seminars were held for the ICT industry, tourism companies, and for association directors. The ICT firms were the most knowledgeable and advanced audience. ICT firms were invited to the e-marketing workshop for tourism firms to give company representatives the opportunity to network. Association directors were probably newest to the e-marketing concepts. For all, it was a valuable introduction to what the internet can do for a business/association. According to feedback from STIKK, who organized all three workshops, 50% of respondents stated they were “very satisfied” and 50% stated they were “satisfied” with the workshop and the information provided. However, no transaction data was provided.

6. ICT Fair in Pristina

4th Quarter Progress: Canceled

Year 2 Progress: Despite earlier plans to the contrary, the ICT Association decided not to organize its own IT fair. Instead, it provided assistance to CEO-Kos, the Kosovo-based fair company, disseminating information about the fair to its members. The results of this show are mixed at best, due to a lack of industry focus.

7. Training in ICT Sales and Customer Relations Management (CRM)

4th Quarter Progress: Completed in Q3

Year 2 Progress: STIKK, with KPEP support, offered training on customer relations management (CRM) in the third quarter as a value added service for its members. KPEP identified the advisors and provided a local trainer who would carry this activity forward. The workshop was followed by one-on-one training sessions, and the advisor developed scorecards for selected firms (six firms signed up for this evaluation). The advisor offered mentoring and advisory to these firms over the next six months. However, most firms did not prioritize CRM in their strategic plan. There was interest but not a resource commitment to act on CRM. The international and local advisors worked with three firms. IPKO showed interest but had internal issues related to whose “turf” it was (between the IT and Marketing Departments). Asseco began a CRM initiative but did not have internal capacity to continue after the key leader left the firm. The scope of the training was expanded to include a second day of training for a group of industry associations and select KPEP government partners, specifically TRA and IPAK. Overall, 22 participants from 15 companies -- two from IPAK, three from TRA, two from the Chamber of Commerce, one from AMIK, two from AmCham, one from SCAAK, one from AKA-KODAA and one from RCAK -- attended the training. The participants evaluated the training as excellent.

Benchmarks

- By improving the marketing and sales capabilities of select firms, creating new market linkages and preparing marketing strategies for penetration into these new markets, the assisted firms will realize increases in sales and exports. Specific goals include:
 - Increased sales of products and services by companies participating in B2B events. At least two new sales contracts achieved within three months of the event. **(NOT ACHIEVED** - Our subcontractor failed to record any transactions as a result of the event and advised us that ICT firms were reluctant to share this information).

- 10% increase in the value of contracts outsourced to local ICT companies both by the GoK and by international companies. **(NOT ACHIEVED** - KPEP could not obtain this information).
- Kosovo Call Centers obtain inbound business. At least 50 people employed in inbound call centers. **(ACHIEVED)**.
- The B2B portal reduces the cost of the bidding process by providing tender documents, a repository of information on past projects, and enhanced transparency in the GOK tendering process; the portal becomes a one-stop shop for all government tenders. **(NOT ACHIEVED – Cancelled)**.
- At least 30 companies from tourism and other KPEP sectors participate in the E-Marketing Workshops, acquire the knowledge to improve their marketing, and harness the potential of a new online channel for increased sales **(ACHIEVED)**.
- The ICT Association successfully organizes an ICT Fair in Pristina. Corporate participation increases by at least 20 companies. The fair enables networking and building business relationships between sellers and buyers, and thus a potential for an increase in sales **(NOT ACHIEVED – Canceled)**.
- Participating companies learn Customer Relationship Management techniques, which enable them to increase sales and realize better customer management and higher customer retention **(ACHIEVED)**.

Progress

Progress under this objective has not fully met expectations. Excellent progress was made with some activities, however others were either delayed or not implemented. The BPO/Outsourcing activities showed some opportunities in this sub sector that we plan to pursue in the next year. Customer Relationship Management and Sales training provided helpful capacity building to local ICT Firms that can be used to increase their revenue and expand their CRM services. The B2B meeting in Albania did not show satisfactory results, and as a result the ICT fair in Pristina was canceled.

ICT

Objective 2: Improve workforce skills and support job placement services in ICT sector

Activities

1. ICT Vendor Training and Certification

4th Quarter Progress: ICT Training and Certification training was initiated in Year 1 and these trainings are still ongoing.

Year 2 Progress: KPEP supports trainees that obtain internationally recognized certifications in computer networks, programming and IT systems design and implementation. To date, 40 individuals have been trained; ten received 27 certifications.

2. PMP Training and Certification

4th Quarter Progress: MDA Consulting reported that 14 candidates were trained, five of which successfully passed the PMP certification test.

Year 2 Progress: KPEP sponsored MDA Consulting to become a Registered Education Provider for Project Management Professional (PMP) trainings. The first testing was scheduled for September 20; it was a paper-based test, since PMI did not confer to MDA the right to carry out electronic testing. To date, MDA has offered the course two times and has trained 14 individuals, five of whom successfully passed the certification test.

3. Information Security Capacity Building (changed from Cyber Security Training)

4th Quarter Progress: The IT Supply-Demand Survey commissioned by KPEP earlier in the year indicated a strong interest by the professional community in IT company level security certifications, such as ISO 27000. In addition, trained professionals are needed to support Information Security (IS) projects. KPEP has selected Macedonia based Trajkovski & Partners

to conduct an IS needs sector assessment and to select the three or four most qualified and interested companies for support with ISO certification on a cost share basis. KPEP also plans to support IS training and certification for up to five qualified professionals.

Year 2 Progress: This activity was not started in this year. We are working on including it for next year if demand is evident.

4. ICT Job-Fair

4th Quarter Progress: Completed in Q1

Year 2 Progress: The outcome of the job fair organized by STIKK at the end of the past calendar year was disappointing. Though the fair was well organized, employed innovative methods (on-line job applications) and 1,000 candidates applied for 30 available jobs, the results, to our surprise, were minimal. Feedback from the companies indicated that candidates aspired for positions for which they were not qualified and that there was a wide gap between the skills companies required and those candidates had to offer. In addition, candidates were not well prepared for job interviews. These lessons learned will be incorporated into further training activities, including the design of the ICT Skills-Gap Analysis, scheduled for Q4 under the workforce component.

5. Feasibility Study on ICT Business Incubator

4th Quarter Progress: Completed in Q2

Year 2 Progress: This study, conducted by two international consultants in Q2, confirmed that an ICT incubator in Kosovo was viable. KPEP has shared the study with other donors, including the Government of Norway (GoN), which announced plans to establish such an incubator in Kosovo. KPEP has communicated to the Embassy of Norway that we were prepared to provide technical assistance.

Benchmarks

- Improved workforce quality will be demonstrated by an increase in the number of local ICT professionals with internationally-recognized certifications; increased employment and

retention of ICT professionals; increased number of Kosovo ICT professionals with PMP certifications; and increased capacity of ICT firms to manage and successfully complete complex projects:

- Approximately 50 people trained in internationally recognized certification programs, out of which 10-20% achieve final certifications (**ACHIEVED**).
- Approximately 10 individuals trained and certified with internationally recognized PMP certifications (**ACHIEVED**).
- Security skills training programs develop and become available in Kosovo. Approximately five individuals certified in security disciplines (**NOT ACHIEVED** - Activity was not initiated in this fiscal year. KPEP will review the activity for the next year).
- 50 youth successfully recruited within three months of the fair date (**NOT ACHIEVED** - ICT Job Fair showed poor results).

Progress

Progress under this objective was satisfactory. Training programs exceeded expectations while the ICT Job Fair was disappointing. PMP training provided training for 14 certification candidates and five passed the certification test. Job placement numbers from the job fair were disappointing. To date, 40 people have been trained in ICT Vendor Trainings; 21 received 39 certifications.

ICT

Objective 3: Strengthen ICT Association

Activities

1. Training in association building

4th Quarter Progress: Completed in Q2

Year 2 Progress: Following the return visit of Associations Advisor Bob Stapp, KPEP has continued to provide assistance to STIKK. We are advising them on the development of their strategic plan, the development of a work plan and a yearlong activity plan to be submitted to KPEP with a request for support.

2. Skills training offered by the ICT Association

4th Quarter Progress: No further trainings delivered in this quarter.

Year 2 Progress: KPEP aimed to make all its local and recurrent ICT advisors available to the industry through the Association. A successful example was the presentation on outsourcing session delivered by Michelle Messina.

Benchmarks

- ICT Association to launch the first advocacy initiative **(ACHIEVED)**.
- ICT Association to increase membership from 61 to 70 companies. **(NOT ACHIEVED - ICT Association achieved in increasing membership to 69 companies)**.
- ICT Association to increase association revenue by offering value added services **(ACHIEVED)**.

Progress

Progress under this objective was satisfactory. Membership of the ICT Association has now grown to 69 and the association has four employees. STIKK had a public presentation of recommendations to remove import taxes and decrease the VAT for IT products.

ICT

Objective 4: Improve legal and regulatory environment for ICT sector

Activities

1. Develop Internet Exchange Point (IXP)

4th Quarter Progress: The IXP project is now well underway. TRA started the hiring process for the IXP manager position and the Norwegian Embassy is transferring the funds to TRA for the construction work. We are still awaiting the final approval from CISCO about a potential equipment donation for the IXP.

Year 2 Progress: The IXP is an activity continued from Year 1. Establishment of an IXP in Kosovo is in the Telecommunications Regulatory Authority's (TRA) work plan for this calendar year. We expect the IXP to be launched in December 2010.

2. Support the GoK to obtain and manage dot KS (.ks) Country Code Top Level Domain Name (ccTLD)

4th Quarter Progress: No activity.

Year 2 Progress: KPEP has not initiated additional activities since Q1, pending developments at the international level, where this initiative has been stalled for several months. KPEP is in ongoing contact with US Embassy Pristina regarding this topic.

Benchmarks

- Establish the Internet Exchange Point (IXP) and the ccTLD. **(NOT ACHIEVED** - The IXP project is delayed while the ccTLD project is stalled at the international level).

- KPEP will support the Ministry of Transport and Communications and the Telecom Regulatory Authority to draft, approve, and issue regulations and instructions for the establishment of the Internet Exchange Point for Kosovo (**NOT ACHIEVED** - Not completed due to delays. To be reviewed for the next year).
- KPEP will identify a suitable operator for running the IXP. Creating the Internet Exchange Point in Kosovo will translate into considerable savings for all interconnected Internet Service Providers, increasing security and quality of Internet communications in Kosovo, and enabling local ICT businesses to develop new and competitive applications and services. (**ACHIEVED** - TRA is selected as a suitable operator for running the IXP initially).
- Establishing the ccTLD involves working with the Ministry of Transport and Communications and the Telecom Regulatory Authority and identifying a suitable operator to manage the ccTLD. The ccTLD for Kosovo will be reserved by IANA/ICANN and delegated to a Kosovo ccTLD manager, or registry, which will issue the first authorizations to registrars who in turn will sell domain names, facilitating a new set of services by local ICT companies such as domain name management and maintenance, and hosting and web services. The expected long-term result is that Kosovo entities, both public sector and private, establish a national identity with the .ks domain name (**NOT ACHIEVED** - Process stalled at the international level).

Progress

KPEP focused entirely on IXP activity, where progress has been excellent. We expect the IXP project to be launched in December 2010. Progress on .ks however continues to be stalled at the international level.

Tourism

Strategy

KPEP's strategy is to market tourism experiences to the international community, help local experience providers¹ improve the quality and variety of tourism offers, and create regional linkages. A strong start in Year 1 included with the successful launch of the first ever *Experience Kosovo*-branded outreach events in Pristina, Peja/Pec and Tirana for 125 tour operators, hotels, restaurants and other tourism establishments. Confirmed sales were €290,000. KPEP capitalized on this momentum by repeating the Travel Day Fair in Pristina and the Tourism Street Fair in Peja/Pec for 176 experience providers, which generated €217,000 in sales.

Our original strategy focused on encouraging the thousands of expatriates who work in Kosovo to *Stay the Weekend – Experience Kosovo* by developing package tours offered by local experience providers. While we believe that this target group continues to have great potential, we shifted our focus from organized tours to providing better information, primarily through the KPEP tourism blog and portal, to encourage them to create their own itineraries. We further assisted with developing integrated tourism offers, including a wine tourism product for the Rahovec/Orahovac region. We strengthened our activities in the regional market, forging partnerships between local experience providers and regional and international tour operators to include Kosovo in multi-country regional tours and to appeal to ethnic Albanian markets in Albania, Turkey and other destinations, as an additional and potentially promising customer base.

¹ We use the term experience provider to include the full range of business that can offer services that together create a unique tourism experience. This includes tour operators, restaurants, hotels, the handicraft industry, industry cultural events, and others.

Tourism

Objective 1: Strengthen market linkages between the local international community and experience providers and create greater awareness of tourism destinations in Kosovo

Activities

1. Marketing and promotion of product offers to selected international groups

4th Quarter Progress: Interest and bookings by international groups following dissemination of the first edition of the Catalogue of Tourism Offers is on the rise. For the first time, a group of 43 EULEX international staff booked a one-day tour hosted by our client, Intours & Travel. To maintain this momentum in Q4, KPEP issued a second edition of the catalog, which will be distributed at incoming tourism events and to Kosovo embassies as they include tourism in economic diplomacy initiatives.

As a result of the National Geographic Traveller Magazine's Supplement (NGTMS) for the Western Balkans, three National Geographic journalists visited Novoberdo to report on the area as a tourism destination. KPEP client NGO Rural Tourism Novoberdo/Nuovo Monte hosted the group.

With the aim of marketing and promoting Kosovo's in-bound tourism via various local, international, written and on-line media channels, KPEP supported a journalist commissioned to write an article for EasyJet's in-flight magazine. The *Weekend in Pristina* article was published in September; Tribune Newspapers, the official publication of the Center for Strategic Research on the Balkans published *Kosovo on the Rise*; *Tourism in Kosovo* was written by the Deputy President of the Izmir Chamber of Commerce, who participated the FAM Trip in May; In its July newsletter, the USAID-Regional Competitiveness Initiative (RCI) featured KPEP's work on tourism *A New European Destination: Greetings from Kosovo*, which listed Kosovo events in its regular events update calendar.

Capitalizing on the momentum generated by outreach events in Y1, KPEP repeated the Peja Tourism Street Fair on September 25 under the *Stay the Weekend – Experience Peja* theme. This time, the Municipality of Peja/Pec took the lead, with KPEP support. There was considerable interest and enthusiasm among exhibitors, visitors and media in pursuing travel and tourism opportunities. The event, which included 78 exhibitors (firms and individuals) from the Peja/Pec and Dukagjini region, 23% more than last year, was well attended. The Kosovo Alternative Tourism Association (KATA) organized the event, serving for the first time as service provider for its members. The activity generated €20,697 in sales (handicrafts, family produced local products, beverages, paintings) and an additional €4,000 in bookings. The Sh.G.V. Krusha association, with 164 female heads of households members from Krusha e Madhe was particularly successful, generating sales of €6,024.

KOTAS organized the second presentation of Kosovo's tourism in Albania from September 30 – October 1. The Kosovo Investment Promotion Agency (IPAK) supported the event. KPEP was instrumental in establishing this relationship and supporting KOTAS on the project proposal. KPEP supported the same activity last year, which attracted over 900 tourists in the summer months that followed, thus generating €85,380 in exports. KPEP was one of the 32 exhibitors from Kosovo and seized the opportunity to promote www.KosovoGuide.com, establish contacts with Albanian government representatives, the tourism sector, universities and international organizations working in the tourism sector. The event launched the forum on the Development of Regional Tourism Products organized by the Regional Tourism Organization. Based in Tirana, Albania, the organization was established in February 2010 by tourism organizations from Albania, Macedonia, Montenegro, and KOTAS, to improve regional marketing and regional tourism products. More details regarding this forum appear in Objective 3.

Year 2 Results: KPEP support included traditional and online marketing and promotion of product offers to internationals living in Kosovo and the local community. Display tables organized at international organizations, the tourism blog, the catalog of tourism offers, the National Geographic Traveler Magazine Supplement, outreach events, and promotion through local and International written and on-line media, has appealed to a considerable number of international and local tourists. This attention has enabled KPEP clients to successfully sell services, increase sales and create jobs.

2. On-line Tourism Marketing Portal

4th Quarter Progress: KPEP continued to support the KosovoGuide portal to improve the user experience and assure the financial sustainability of the project. The portal made progress on reorganizing content, improving advertising space and search functionality, search engine optimization, and adding new content for Kosovo cuisine, mountains, and cultural sites. As a result of these improvements, we expect the website to be profitable by attracting third party advertisers, corporate sponsors and paid members. KPEP will help launch the portal on Kosovo embassy websites in the next quarter.

Year 2 Results: Despite many positive developments in recent years, tourism in Kosovo has been hampered by the lack of readily available information on basic topics like upcoming events, major attractions, tourist offerings and services. The KosovoGuide.com portal was designed to bridge this gap and provide a *one-stop shop*, where users can discover all that Kosovo has to offer. The scope of the project has grown since its inception, and now includes information about upcoming events, restaurants, accommodation, bars, clubs, street maps, major attractions, and tours and services offered by local tourism providers and voluntary organizations. It also features an integrated blog and related tourism information. The growth of the project has already expanded our target audience, attracting a wider international audience than expected at an early stage. The Google Analytics Report for January-September 2010 shows over 33,000 visits from 96 countries/territories.

3. Travel Day Fair on April 22, 2010

4th Quarter Progress: Completed In Q3 of Year 2.

Year 2 Progress: On 22 April 2010, KPEP repeated the Travel Day Fair under the *Stay the Weekend – Experience Kosovo* theme. This time however, KOTAS took the lead. KOTAS charged fees to 70 exhibiting companies and 28 restaurants that competed for prizes in a gastronomy competition. The number of exhibitors increased by more than twice from Year 1. Immediate sales amounted to €2,088 and an additional €195,000 was generated by 4,000 clients two months following the fair. The fair featured two other KPEP-supported tourism initiatives: (1) A catalog of approximately 40 offers by local experience providers working with KPEP, and (2) the new Kosovo tourism portal, www.kosovoguide.com.

Benchmarks

- Increased sales and demand for tourism experiences and events by the international community **(ACHIEVED)**.
- Increased awareness by a broad range of businesses and communities about tourism as a valuable source of income and employment, as well as a source for protecting and sustaining cultural and natural heritage **(ACHIEVED)**.
- We expect revenue for the tourism industry to increase by 30% and employment to increase by 20% for assisted tourism businesses and related organizations over the course of Year 2 **(ACHIEVED)**.
- Convert 3% of tourism web portal visitors into customers **(ACHIEVED)**.

Progress

Progress under this objective was excellent. KPEP clients have been successful in selling their services and have been able to significantly increase sales and create jobs. KPEP clients reported total sales of €112,803 in this quarter, which represents a 36% increase from the previous quarter. Exports (spending by the local international community and tourist arrivals) increased by 75% while domestic sales (local tourists) increased by 8%. Full time employees increased to 46, compared to 31 in the previous quarter, which represents an increase of 48%. According to the International Labour Organization, 1 job in tourism creates 1.5 jobs in other industry related sectors (agriculture, transport, handicrafts, etc.).

In Year 2, our clients' sales have increased by 324% over Year 1, and the number of full-time employees increased by 92%. Our clients hosted 5,156 international and local tourists, which represents 16% of tourism web portal visitors.

We have made satisfactory progress in increasing awareness among businesses and communities on tourism as a valuable source of income and employment. Businesses that participated in Travel Day Fair 2010 increased in number by more than twice from Year 1; there was more than a 20% increase in the number of participants at the Peja Tourism Street Fair 2010; there was also a 14% increase in the number of participants at the presentation of Kosovo's tourism in Albania.

Tourism

Objective 2: Improve quality and variety in tourism experiences available from providers

Activities

1. (Activities 1 and 2) Pilot new experiences for the international community, convert pilot tours into regularly scheduled quality product offers

4th Quarter Progress: We have experienced stronger interest in Kosovo as a tourism destination from regional actors versus the local international community. As a result, we have built partnerships between local experience providers and regional and international tour operators by including Kosovo in multi-country regional tours (details are described in next objective).

At the same time, KPEP's clients continued to provide regularly scheduled offers. Below are a few examples of accomplishments our most successful clients achieved this quarter:

- Intours & Travel hosted 427 clients of UK's Regent Holidays. The company converted 3-day offers into 6-day tours and later to 10-day tours. Moreover, the company piloted a one-day tour for a group of 43 EULEX international staff and several regional tours with international partners (details are described in next objective).
- The NGO Nuovo Monte hosted 450 local and international tourists, 40% of whom were international and local tourists that experienced weekend tours with 1 to 2 overnights. The rest were day tours. Nuovo Monte represents a network of 12 experience providers from Novobordo that promote rural tourism. Vila Kalaja, a new family business, joined this network by investing €20,000 on accommodation and gastronomy facilities.
- As a result of KPEP's work to convert the individual offers of NGOs Era, Marimangat e Pejës, and Rugova Experience into integrated packages, this group of experience providers -- operating under umbrella of Rugova Experience -- hosted over 200 tourists, increased the number of full-time employees from 1 to 5 and engaged 12 part-time employees. The Italian Ministry of Foreign Affairs awarded €140,000 to Rugova Experience to implement the SEENT project (South East Europe Network of Tourism), which will develop rural tourism in

three Rugove/Rugova Valley villages. KPEP-supported experience providers are becoming important stakeholders for international tourism projects and this can largely be attributed to KPEP-provided training and marketing support.

KPEP identified Rahovec/Orahovac as the region with the most potential to become an appealing wine tourism destination. KPEP's Wine Tourism Strategy for the Rahovec/Orahovac region envisions the comprehensive development of tourism related infrastructure (e.g. signposting, tourist information office), product development (e.g. wine and hike, wine and bike, wine and dine, wine events and festivals, theme hotels with respect to wine and grapes, and wine tasting in vineyards) and the integration of the Rahovec/Orahovac region in a broader regional and cross-border tourism context. The Task Force for the Wine Tourism Rahovec Region was set up to make the implementation process as operational as possible. The task force consists mainly of private sector (wineries, hotel etc.) representatives, but also public sector (municipality) and the civil society (NGO) stakeholders. KPEP will start implementing key strategy recommendations in Year 3, including a World Learning supported study trip to Bulgaria for 10 members of the Wine Tourism Task Force.

Year 2 Progress: KPEP continued to work with selected tourism operators poised to become successful experience providers (providers of tourism packages that capitalize on what Kosovo has to offer and cater to a wide range of alternative tourism interests). In Year 2, KPEP provided technical assistance and training to 25 experience providers to improve their entrepreneurial skills and the quality and variety of their offers. KPEP also introduced them to the benefits of e marketing, helped them to establish contact with new clients and to convert day visits into overnights in order to increase sales values. KPEP focused less on piloting new experiences, as customers created their own itineraries. KPEP-assisted experience providers have converted 26 offers to regularly offered 1-day and 4-day tour packages; 696 customers purchased weekend tours, which has affirmed the value of the *Stay the Weekend – Experience Kosovo* initiative (not counting weekend tours, which are part of multi-country regional tours).

2. International Study Tour in Best Practices

4th Quarter Progress: With the aim of strengthening cooperation and converting small-scale tourism offers into integrated quality product offers, tourism study tour participants established the Kosovo Alternative Tourism Association (KATA), which subsequently organized the second

Peja Tourism Street Fair in September 2010. Additional regional initiatives resulting from this are described in the next objective.

Year 2 Progress: Completed in Q2 of Year 2: Nine tourism companies -- all KPEP clients -- participated in a two-week World Learning Kosovo study trip to Bulgaria and Austria. The study tour was designed to teach the group successful alternative tourism initiatives and concepts. Based on lessons learned from the study trip, participants developed their own action plans with their vision for the future for alternative tourism in Kosovo, which they began to implement.

Benchmarks

- Convert day visits into overnights and/or weekend tours, thus increasing sales values and adding value to tourism offers (**ACHIEVED**).
- KPEP will also improve service offerings through lessons learned and international best practices (**ACHIEVED**).

Progress

Progress under this objective has been excellent. KPEP clients continue to pilot new tours and convert them into regular tourism offerings; 26 offers have been converted to regularly offered 1-day and 4-day tour packages; 696 customers purchased weekend tours.

Nine experience providers participated in the highly successful Bulgaria and Austria study tour. Six of them implemented several initiatives with regional tour operators by applying best practices learned (refer to Year 2 results in Objective 3).

Results achieved by KPEP-supported experience providers are encouraging. The increase in sales (described in the Progress section of Objective 1) demonstrates that the training and marketing support we have provided is bearing fruit. KPEP supported 25 experience providers (three times the number in Year 1). Ten are included in PBMS (40% more than the number in Year 1).

Tourism

Objective 3: Strengthen market linkages with regional tour operators

Activities

1. Collaborate with regional tour operators.

4th Quarter Progress: In addition to targeting internationals in Kosovo, KPEP and its client companies focused on establishing linkages with regional tour operators, including cross-border cooperation as an additional promising customer base.

KPEP started an initiative in cooperation with Arteza, an NGO from Gjakova/Djakovica, to explore opportunities for cross-border cooperation between North Albania (Shkodra, Thethi, and the Valbona Valley) and West Kosovo (Dukagjini Region) by organizing a study trip to Albania. Fact-findings showed there was a promising climate to include Kosovo in cross-border tours aimed at attracting thousands of tourists that hike or participate in other adventure sports and would be willing to cross the border for a cultural tour of Gjakova/Djakovica city or a wine tasting tour in the Rahovec/Orahovac region. Following meetings with the municipality of Bajram Curri and Shkodra, KPEP decided that the Dukagjini Region should be developed as an integrated tourism destination, which would entail developing integrated tourism offers like bike-B&B-cultural trails for tourists from Albania. KPEP invited seven municipalities in the Dukagjini Region to sign MoUs during the Peja Tourism Street Fair opening ceremony.

Following the study trip to Albania, Arteza, Valbona Valley tour operators and accommodation services signed an MoU. The first cross-border tour was piloted with 14 tourists from Poland.

KOTAS organized the second presentation of Kosovo's tourism in Albania September 30 – October 1. KOTAS also launched a forum on Development of Regional Tourism Products, which addressed key issues that will help unite the fragmented tourism industry in the region and develop a concept for tourism based on similar economic and business principles. As an immediate result, the Union of Albanian Tour Operators and the Kosovo Tourism Association

(KOTAS), both members of the recently established Regional Tourism Organization agreed to organize an *Info Tour* in North Albania and Kosovo that aims to foster regional and cross-border cooperation between Kosovo and Albania.

KPEP has actively taken part in topics addressed by the RCI-led Regional Tourism Steering Committee (RTSC), whose aim is to foster tourism initiatives with a regional character. The focus is on Regional FAM Trips, airline in-flight magazine articles, regional online presence sites, Global Sustainable Tourism Criteria, and a Regional Tourism Summit. RTSC will meet in November to plan concrete regional projects.

KPEP's strategy to emphasize the importance of regional cooperation and strengthen activities in the regional market has proven to be correct. It has resulted in several partnerships established by our clients with regional and international tour operators to include Kosovo in multi-country tours. KPEP's most successful client in this context is Intours & Travel (I&T). The eight partnerships it established last quarter with tour operators from Albania, Macedonia, Montenegro, Japan, and France, generated the following results this quarter:

- Three multi-country tours for Albania-Kosovo-Macedonia hosting 48 tourists.
- Three-day FAM Trip for 13 businessmen from Canada.
- Two multi-regional tours were tested for 29 tourists from Japan. A group of 22 Japanese tourists booked the Autumn-Winter 6-day tour package in Kosovo; 15 Japanese tourists booked the Spring-Summer tour package that includes North Albania (Valbona Valley). These tour packages are included in the Catalog of Tourism Offers 2011, to be promoted in the tourism market of Tokyo.
- A French tour operator has partnered with five countries, including Kosovo, to pilot a 15-day geo-strategic learning tour for 12 students; Intours & Travel organized the five-day Kosovo itinerary.

Additional examples of results achieved by KPEP clients include:

- The partnership between the Kosovo Tourism Group and the Albanian Alban Tours resulted in a multi-country regional tour of Albania-Macedonia-Kosovo for a group of 10 Americans. This tour included an overnight in Pristina.
- The partnership between the Kosovo Tourism Group and Rugova Experience with Macedonia's Atlantis Tours and the Netherlands-based Karatanova resulted in a multi-

country regional tour of Macedonia-Kosovo-Montenegro-Albania for a group of 18 tourists from Holland.

Following the KOTAS tourism presentation in Tirana in Year 1 supported by KPEP, there are now Albanian tour operators that bring tourists from Albania and include Kosovo in multi-country tours by implementing these tours directly with Kosovo experience providers. One example is Albania's Sondor Travel, a company that implements weekend tours for a number of groups from Albania, Croatia (45 tourists) and the Czech Republic (53 tourists).

Year 2 Progress: In Year 2, we

- Explored opportunities with regional tour operators and tourism organizations from Montenegro, Macedonia, and Albania, to include Kosovo in a package tour or to offer day excursions into Kosovo.
- Assisted local experience providers as appropriate to develop quality products for inclusion in regional package tours.
- Tracked regional tourism events, identifying ones appropriate for participation by our clients.

With the aim of appealing to the ethnic Albanian market in Albania, Turkey and other destinations as additional and potentially more promising customer bases, we organized a Familiarization (FAM) Trip May 24-27 for Turkish tourism industry representatives. This activity garnered widespread publicity in Turkey and was included in 12 Turkish newspapers. An article about Kosovo's tourism potential was published by the Center for Strategic Research on the Balkans. A week following the FAM Trip, Kosovo was included for the first time in a regional tour program that hosted 24 tourists from Izmir. As an immediate result, the Kosovo Tourism Group traveled to Izmir and signed a cooperation agreement with FAM Trip participant Apak Turzim. The Izmir Chamber of Commerce (ICC) is due to host the return visit in October 2010 for representatives of KOTAS, KPEP, and the Kosovo Chamber of Commerce (KCC) to explore further cooperation opportunities.

In addition to 4th Quarter progress described above, the following regional initiatives resulted from participants of the World Learning Study tour to Bulgaria and Austria:

- A partnership between Air Tour and Albania's Alb Tours resulted in a multi-country tour of Austria-Kosovo-Macedonia-Albania-Montenegro for a group of 17 Japanese tourists.
- A group of five study tour participants (Rugova Experience, Era, Marimangat e Pejës, Arteza, and Kosovo Tourism Group) worked with Bulgaria's Odyseia-In from to develop the

10-day regional tour package for Bulgaria-Kosovo-Macedonia, which was piloted in May for 4 international tourists.

- The NGOs Era and Marimangat e Pejës, in cooperation with the Peace and Collaborative Development Network, a free professional networking site with over 14,170 members from around the world, organized a portion of the Kosovo program for the Balkans Peace Park Academic Expedition 2010 ICAR' at Balkan Peace Park – Kosovo, Albania and Montenegro.

Benchmarks

- Increased interest by at least two tour operators to include Kosovo in regional itineraries leading to increased sales from regional sources **(ACHIEVED)**.

Progress

Progress under this objective was excellent. KPEP's strategy to emphasize the importance of regional cooperation and strengthen activities in the regional market has proven to be correct. It has resulted in 14 partnerships established by seven KPEP clients with regional and international tour operators from Albania, Macedonia, Montenegro, Croatia, Japan, France, and the Netherlands. Kosovo was included in 10 multi-country regional tours and one cross-border tour by hosting 287 international tourists.

Recycling

Strategy

KPEP's strategy for Year 2 was to pursue a national recycling program for PET by adopting the where appropriate aspects of the Macedonia USAID Plastic Recycling Project model, which included a GDA grant and foreign direct investment. Our strategy was also to support small-scale waste collectors on a pilot basis in support of investing firms.

Recycling

Objective 1: Assess the viability of a sustainable national program for PET recycling based on the Macedonia model

Activities

1. PET Plastic Recycling Feasibility Assessment

4th Quarter Progress: In late September, UNDP began a desk review/needs assessment of recycling in Kosovo as background for a Concept Note for a potential project. UNDP invited KPEP to share the feasibility assessment and to discuss the possibility of eventually undertaking complementary work in the area. See Year 2 Progress for detail feasibility assessment.

Year 2 Progress: Completed in Q1 of Year 2: KPEP commissioned Macedonia's MDC-TI.Net to conduct a review of the PET recycling sector in Kosovo and develop a feasibility assessment for a nation-wide PET recycling initiative. We learned that the price for PET continued to be depressed and as a result, there was limited incentive for collection. We also discovered that the cost estimate for a nationwide PET collection exceeded KPEP's support capacity. Moreover, Macedonia benefited from a GDA grant from USAID Washington, an option that is not available for Kosovo.

Because KPEP determined that supporting a nationwide recycling program surpassed the project's scope, we decided to share the study's results with other donors active in Kosovo in an

encourage them to contribute to this initiative. Mercy Corps initiated a one-year project for paper and cardboard recycling to support three pilot collection centers in Fushe Kosove/Kosovo Polje, Podujeva/Podujevo, and Vushtrri/Vucitrn. UNDP launched the *Green Assembly* initiative by placing recycling bins in all Assembly halls.

2. Implement measures to establish a sustainable nationwide recycling program for PET plastic

4th Quarter Progress: Since KPEP determined that supporting a nationwide recycling program surpassed the project's scope, no additional measures were undertaken in this quarter beyond those implemented the previous quarter. These activities are described in the following section.

Year 2 Progress: The PET feasibility assessment recommended that a PET collection system could initially be piloted in one or two municipalities, and if successful, rolled out to other communities. KPEP therefore encouraged the Gjakova/Djakovica, Gnjilane/Gjilan and Peja/Pec municipalities to develop concepts for PET recycling operations; we took municipality officials and waste management companies on a study trip to Macedonia to visit the USAID Plastic Recycling Project (PRP) and to exchange experiences. Because we discovered that the return on investment KPEP considered acceptable from the municipal pilot project would not be realized in the near future, we dropped this initiative.

Benchmarks

- The feasibility study will demonstrate the viability of a sustainable nationwide recycling program for PET plastic (**ACHIEVED**).
- If findings are positive, early implementation steps will be undertaken (**NOT ACHIEVED** – the activity was beyond the project's scope and implementation abilities).
- The long term expected results are increased investment, new jobs, and greater revenue in the plastic recycling sector. (**NOT ACHIEVED** - measures to establish a sustainable nationwide recycling program for PET plastic have not been implemented).

Progress

Work in this market segment was been challenging. The KPEP feasibility study suggested scenarios that were mostly outside of KPEP's implementation abilities. We will seek opportunities for complementary work with other donors and municipalities.

Recycling

Objective 2: Expand pilot recycling efforts, establish commercially relevant linkages, and promote organization and cooperation in the small-scale private waste collection sector

Activities

- 1. Provide assistance to establish linkages between collection companies, sources of supply and markets. Provide targeted support to small-scale collectors and waste processors as needed.**

4th Quarter Progress: KPEP has undertaken a number of initiatives for this objective. As revealed in the PET feasibility assessment however, current market prices, while on the rise, do not yet provide sufficient incentive for PET collection. This has adversely affected KPEP initiatives to facilitate stronger links between waste collectors and dealers as a means of increasing the volume of PET waste collected and thus creating a more reliable supply for importers from neighboring countries.

Greentech, a large Macedonian recycling company that recently established an entity in Kosovo named GRINTEH Sh.p.k approached KPEP this quarter. The company's goal is to expand its collection network and strengthen the supply chain in Kosovo. Greentech requested KPEP assistance to purchase baling presses for collection firms. Based on a cost share grant agreement with GRINTEH, seven collection centers in different municipalities will receive baling presses (one per each collector). The company anticipates sales/exports of over €350,000 for a 24-month period; it expects 1,700 tons of waste plastic to be collected and 350 individuals to benefit from this activity.

The AG Group presented a good opportunity for the Kosovo recycling industry. The company converts imported paper tissue into toilet paper, kitchen paper, napkins, and handkerchiefs. The AG Group invested €120,000 in paper mills in order to expand its activities. KPEP supported the company with SAF funds because it required an additional €17,000 for equipment installation and training of machine operators to begin operating with the new technology,

Moreover, the MEA Company was unable to receive a municipal permit to set up PET containers to 14 villages and expand its collection network to include 10 additional villages, as KPEP requested when it approved the activity. As a result, a new proposal to set up PET containers inside Camp Bondsteel, where the company collects mixed waste, will be submitted to KPEP. KPEP established the linkage with USKFOR Camp Bondsteel and as result, MEA increased sales in this quarter by 57% as compared with last quarter.

Year 2 Progress: KPEP continued its outreach and advisory activities to small individual collectors and has succeeded in initiating a number of small-scale linkages. This included a linkage between MEA and the USAID Effective Municipalities Initiative Project (EMI) for collection of paper waste, and between MEA and American KFOR Camp Bondsteel to collect PET, which resulted in 25 tons of PET collected during the year. KPEP also established a linkage for non-baled PET between the NGO Lulebora and ALCOM, and between Lulebora and Greentech, which yielded 10 tons of PET for export.

KPEP worked closely with the local recycler Kroni. Beyond the financial viability support KPEP's FDI team provided to Kroni, the linkage established by KPEP with Germany's CSG Werkzeug Maschinen Service GmbH resulted in an initial 15-ton (€6,750) PET shipment of flakes sent to Germany. CSG subsequently offered a one-year contract, contingent upon the acceptance of the first shipment. Unfortunately, quality issues arose with the initial sample, and though KPEP helped Kroni to address them, Kroni was no longer interested in pursuing the relationship.

KPEP has actively supported US KFOR Bondsteel's efforts to educate communities in the area about the importance of recycling, particularly in the Gnjilane/Gjilan municipality.

Benchmarks

- Establish stronger links between waste collectors, sources of material and potential value adding processors and buyers in Kosovo (**PARTIALLY ACHIEVED** - Because it was difficult to work in this market segment due to the generally unfavorable market situation, and because this was outside of KPEP's intervention abilities, only a few links were established).
- In the long term, we anticipate increased quantities of plastics and other waste materials recycled, greater investment, more value added processing of waste, increased revenues and exports, and more jobs (**PARTIALLY ACHIEVED** - Two opportunities were identified; Greentech and the AG Group are in the early stages of implementation).

Progress

We made progress in this area, albeit at a lower level and at a slower pace than we had initially hoped. In Year 3, KPEP will continue to seek opportunities that lead to the short-term results of generating additional jobs for low-income families and creating increased opportunities for trade. Such initiatives will focus on the plastic and waste paper sectors, increasing prospects for the organized collection and processing of waste.

Energy Efficiency

Strategy

KPEP upgraded Energy Efficiency from an informational to a transactional sector in Year 2. The initial research we conducted revealed strong potential for this sector, particularly as it relates to other project components like construction and forestry. Though our strategy was to focus on discrete initiatives that would help the sector increase sales, exports, employment, and attract FDI, the fact that the Government of Kosovo has no energy efficiency standards in place, nor plans to implement any in the near to medium future, has greatly altered our activities. Moreover, energy prices are not at the levels required to ensure full cost recovery and non-payment is pervasive.

Energy Efficiency

Objective 1: Implement selected interventions recommended by the feasibility study

Activities

- 1. Conduct feasibility study on energy efficiency and implement selected recommendations.**

4th Quarter Progress: Because KPEP determined there was limited opportunity in this sector vis-à-vis more promising prospects in other transactional sectors, no additional measures were undertaken in Q4.

Year 2 Progress: At the beginning of Q1, KPEP conducted an in-house feasibility study on Kosovo's energy efficiency sector and related pending legislation to gain a better understanding of opportunities for project interventions. KPEP also conducted a survey of 18 construction materials manufacturers regarding their interest in, and awareness of, energy efficiency. The analysis indicated that the best course of action was to pursue concentrate efforts for energy efficient building materials, including windows and doors. As a result, we have decided to

incorporate building materials firms with an interest in energy efficiency into the building materials sub-sector.

The American University of Kosovo approached KPEP earlier this year for a grant to cost share installation of a geothermal heating and cooling system, and for a solar water heating system. This was to be the first commercial scale geothermal project in Kosovo of its kind and we learned that the Ministry of Energy was also supporting this effort. Because we later discovered USAID contractor CHF was already in the process of building a *Green School* in Kosovo that would use geothermal heating and cooling, KPEP did not pursue this initiative. We were also informed that AUK was installing a geothermal heating and cooling system at its Energy Institute Building for demonstration and education purposes.

Benchmarks

- KPEP will achieve a better understanding of the energy efficiency and/or renewable energy opportunities in Kosovo **(ACHIEVED)**.
- In the long term, we hope to grow or create a series of profitable businesses that provide products and services related to energy efficiency and renewable energy **(PARTIALLY ACHIEVED)**.
- These firms will attract new investment, increase sales, and create new jobs. **(NOT ACHIEVED** - Due to the lack of [pending] energy legislation that will enhance businesses providing products and services related to energy efficiency and renewable energy).
- Beneficial environmental and economic effects for Kosovo as a result of using energy more efficiently **(NOT ACHIEVED** - This has not been achieved due to limited opportunities to engage).

Progress

We undertook a comprehensive review of the regulatory/legislative landscape and the companies that are either currently producing or may produce energy efficient materials. Because we only identified a few such companies, we decided to incorporate building materials firms with an interest in energy efficiency into the building materials sub-sector. Efforts specific to biomass are covered in the wood processing/forestry sectors.

Our experience has shown that there is currently little opportunity in this sector, and we will therefore focus our resources on more promising opportunities in other areas.

Component 2: Business Support Services (BSS)

Strategy

KPEP's business support services strategy is to strengthen the capacity of local business service providers and associations. In addition, we advise associations on how to implement best practices and become financially sustainable. This is a challenging area of work because of the market distortion brought about by donor saturation in Kosovo. Donors are vying to support a limited number of beneficiaries. Associations are prime candidates for financial support, and have received generous contributions. A large share of local consulting firms' revenue comes from donor projects. As a result, there is not as much of an incentive as one would expect on the part of our target firms and associations to learn and change.

From the very beginning, KPEP decided to pair international and local consultants with the objective of transferring knowledge and ensuring sustainability of training programs. We have done this consistently wherever possible, including furniture design, investment research, businesswomen training, customer relationship management, Internet exchange point, and illegal logging. We have received enthusiastic feedback by local consultants on this approach and we will continue this practice going forward.

KPEP BSS is supporting this strategy with a number of initiatives. We have made available a consultant to work with major associations on how to improve organizational structures, and become more appealing to members through improved and more diversified service offerings. This fall, we will assist the Association of MicroFinance Institutions of Kosovo to develop a strategic plan specifically for this purpose. We are also planning to provide targeted assistance to a number of agricultural associations this year. We have assisted associations to participate in local, regional and international trade shows. BSS developed a trade show participation manual, which participants receive prior to each trade show event.

We have made available several training courses through associations, and will continue to do so, encouraging the associations to charge fees for these services.

We are now also planning to evaluate the establishment of a consultants' association, together with the European implementer TAM BAS. The existence of such an association is the prerequisite for the certification of consultants by the International Council of Management

Consulting Institutes.

Finally, based on the analysis and recommendations included in the recently completed Agricultural Strategy (AgSTRAT) and detailed recommendations on the new business model for farmers associations, KPEP BSS will begin working with three to five agri-product associations on a pilot basis to expand and improve the range of services they can provide to members.

Business Support Services

Objective 1: Support KPEP target sectors via capacity building for technical service providers to address critical issues and constraints of particular relevance to the sector

Activities

1. Twin international KPEP consultants with local consultants

4th Quarter Progress: The aim of this activity was to enhance the skill set of local business consultants and their alignment to KPEP sectors, through contributing to achievement of sector results, while at the same time transferring the knowledge obtained from working with international advisors to the local economy. This quarter, the twinning process was applied to 6 *local consultants* for the following activities:

- Legal research for Agricultural Cooperation
- Legal research and drafting assistance to draft the Construction Law
- Private sector outreach for Construction Law Drafting
- Advocacy Strategy (advocacy strategy revision and workshop trainer)
- IPR contracting manual (the drafter of the manual)
- Forestry Tendering (market analysis and financial feasibility study)

Year 2 Progress: A formalized feedback system for international and local consultants confirmed that the twinning process was beneficial in terms of knowledge transfer and business development for local consultants. The BSS team supported numerous activities for individual

consultants through the project's crosscutting initiatives; 23 local consultants participated in KPEP activities this year.

Benchmarks

- Enhance the skill set of business consultants who are able to meet the needs of the KPEP sectors and thereby contribute to the achievement of sector results, as well as increase the revenue of local consulting firms. (**ACHIEVED**, through pairing and knowledge transfer between local and international consultants)
- The long-term impact of these activities is to build a cohort of talented service providers in the local economy. (**ACHIEVED** - the local economy now benefits from consultants with specific expertise in professions where there is a short supply of labor).

Progress

BSS continued to make good progress during in this period. MD Consulting told us that as a result of the expertise acquired, the company expected to increase its revenues by over 30% this year. One consultant who was paired with an international forestry expert is now working solely on forestry issues.

Business Support Services

Objective 2: Build the capacity of the consulting and commercial legal leading to a more broad based and sustainable industry.

Activities

1. Conduct capacity building training for business consultants

4th Quarter Progress: An International expert delivered a two-day training July 8-9 for 15 local consultants on the preparation of a project proposal for a EU Rural Grant Scheme. They have already undertaken consultant work, assisting KPEP Agriculture clients to prepare the EU Rural Grant Scheme project proposal.

Year 2 Progress: In Year 2, BSS convened one training session for local consultants; 15 consultants received training on the preparation of EU Rural Grant Scheme project proposals. BSS intentionally minimized the effort on capacity building for business consultants, since other implementers are very active in this area. We are now implementing a more focused approach for associations.

2. Feasibility for establishing a consultants' association

4th Quarter Progress: KPEP assisted a group of local consultants to develop an action plan that identifies the necessary steps to create a consultant association. We have identified the necessary steps for the establishment of such an organization that meets the requirements of the International Council of Management Consulting Institutes (ICMCI).

Year 2 Progress: BSS in cooperation with TAM-BAS actively participated in meetings and workshops that led to the creation of a detailed action plan to establish an ICMCI-accredited, sustainable consultants' association.

3. Continue to develop business engagement capacity lawyers

4th Quarter Progress: No activity in this quarter.

Year 2 Progress: BSS in coordination with BEE agreed not to offer this training due to a lack interest and intangible training outcome.

4. Training for female business associates

4th Quarter Progress: We had one plenary session this quarter, with tailored presentations from commercial banks, micro-finance institutions, advertising agencies and successful businesswomen. On September 29, we convened the Certification Ceremony for businesswomen owners.

Year 2 Progress: Recognizing that small businesses are an important economic driver across all economies and that women business owners have unique challenges, KPEP launched a pilot project in March 2010 to train and coach women business owners and two women business

consultants from Pristina; 14 Kosovo women business owners received training and mentoring for five months from an international business consultant and two local consultants. The program focused on evaluating the strengths and weaknesses of the women's businesses and options to ensure success by improving sales, expanding to additional markets, increasing profitability and developing greater insight about finances. Moreover, the program aimed to improve the consulting skills of local business consultants. The program featured two plenary sessions and several extensive mentoring sessions.

5. Organize a BSS implementers' round-table

4th Quarter Progress: Completed in Q2

Year 2 Progress: BSS convened an implementers' roundtable in February 2010; 12 implementers shared with us what they are doing to support Kosovo business service providers. This enabled BSS to effectively allocate resources to the most pressing programming areas not already funded by other stakeholders. We learned that other stakeholders were focused on technical capacity building such as HACCP Standards, and Quality Management. We decided to hold this meeting on a regular basis, with the second meeting organized by TAM-BAS in July. The next meeting is scheduled for November 2010.

Benchmarks

- KPEP anticipates training 20-30 business consultants and 20-30 businesswomen, enhancing skills for business consultants and increasing employment and revenue among BSPs (**PARTIALLY ACHIEVED**).
- The long-term impact of this objective will be to build a strong cohort of local consulting firms, which are critical to a vibrant economy (**ACHIEVED** through the pairing process and specific in demand training).
- Training tailored to female business associates will address the needs of an under-represented group in Kosovo's business sector (**ACHIEVED**, through the businesswomen's training program, which effectively addressed the needs of female business owners).

Progress

Progress on this objective was slower than anticipated as a result of other donors' focus in this area.

Business Support Services

Objective 3: Enhance the internal organizational capacity of associations as well as their ability to offer products and services to their membership, including advocacy on behalf of the industry.

Activities

1. Association Strategic Management & Leadership Training (Tier 1)

4th Quarter Progress: Completed in Q1

Year 2 Progress: KPEP implemented the Association Strategic Management & Leadership Training in Pristina November 10-11, 2009. International consultant Bob Stapp led the training, which included participation from the following 15 Kosovo business associations:

- Architects Association of Kosovo (ASAK)
- Association of Wood Processing of Kosovo (AWPK)
- STIKK/ICTA
- KBA
- KOTAS
- ASAK
- KDPA
- KAMP
- AKA
- RCAK
- AWPK
- Forestry Association
- Agronklina Rahovec/Orahovac
- Business Association
- Perdrini

Following the two-day training, Bob Stapp coached seven associations -- AWPK, ASAK, AKA, KBA, STIKK, KOTAS and RCAK -- on technical assistance to support the associations' specific

needs and priorities. These included financial strengthening, member services and the importance of having a strategic plan.

2. Capacity Building for Tier 1 Associations

4th Quarter Progress: KPEP continued to provide technical assistance and support to Tier 1 Associations. In order to achieve a balanced approach on the Associations Development Index (ADI), STTA Bob Stapp engaged with the associations to improve their performance in the following areas identified as concerns on the ADI Chart:

- Organizational capacity
- Financial management
- Strategic planning
- Data and analysis
- Networking
- Member services

Year 2 Progress: Associations continued to be a critical element for supporting the economic development of Kosovo providing strong, impartial, private sector advocacy for their respective industries. The strength of an association is only as good as its members and its member strength is only as good as the services it provides to those members. KPEP provided a Leadership and Management Training to Tier 1 Associations and an association advisor to improve elements of ADI. In support of our goal to encourage partnerships with international associations in the same sector, KPEP, with the financial support of World Learning, supported representatives from 7 associations to participate in a study tour to Poland to learn about effective lobbying and advocacy. KPEP also plans to conduct follow-up and tailored activity on the advocacy roadmap strategy that was developed by the STTA on March 2010.

3. Provide advocacy and legal support to umbrella associations

4th Quarter Progress: KPEP, SEAD, ABA/ROLI and the Kosovo and the American chambers of commerce presented The Advocacy Strategy workshop as a joint event. The event took place at the Kosovo Chamber of Commerce July 20. Invitees included acting chambers of commerce representatives, government officials, sector specific associations and media representatives.

The Advocacy Roadmap is an illustrative and narrative tutorial of private sector input into the legislative process; it outlines the concrete steps and procedures a draft law must pass. The process begins with the first working group inside a specific ministry, and then progresses to other areas of the government and assembly, before ending with all the intervention points where under certain conditions an individual can intervene and make suggestions or comments.

The following associations participated in the workshop:

- STIKK
- KBA
- KCC
- AMCHAM
- SCAAK

Please also refer to the BEE section for further details.

Year 2 Progress: Same as Q4

4. Strengthen associations in targeted sectors to provide fee-based services to members

4th Quarter Progress: This quarter, KPEP supported association organizing on a cost-share basis for the following activities/fairs:

- The September 25 Peja Tourism Street Fair implemented by the Kosovo Alternative Tourism Association (KATA). Earnings generated by the association as a result of this activity will be used to fund other activities and member services.
- The AWPK-coordinated participation of Kosovo Wood Processing companies at fairs in Albania and Croatia. AWPK will put income generated from fair participation organization towards operational expenses and the initiation of additional member services.

Year 2 Progress: KPEP worked on a formalized procedure to support the variety and quality of services that associations provide to their members on a fee basis. BSS worked with KPEP sector staff to support the following activities:

- AWPK – Natyra Fair and Participation: Convened April 1-13 and AWPK sold 95% of the planned exhibition space; this activity has strengthened its financial sustainability by 70%
- KOTAS – Travel Day Fair: This activity strengthened its financial sustainability by 30%.

- KATA - Peja Tourism Street Fair: KATA saved € 1,046, which will be used as the association fund in order to develop and create activities that benefit the Kosovo tourism sector.

5. Capacity building for agriculture associations (NEW)

4th Quarter Progress: We engaged an STTA in July to develop a new business model that will provide agriculture associations with the capacity to provide fee-based member services, member equity development and conduct sales transactions. If current business law does not permit the aforementioned activity, the STTA will recommend to KPEP BEE how to either modify existing legislation or develop new legislation. We have targeted the following agribusiness associations: Perdrini Association, Mamushe Association and the Widow's Association of Krusha e Madhe.

Year 2 Progress: See Q4

6. Support participation in trade fairs

4th Quarter Progress: No activity this quarter

Year 2 Progress: BSS continued to support associations' trade show plans through financial support, training, and the provision of expert advisors. For example, the Women Association NGO RUKA-RUCI sold €20,000 in products at the Novi Sad Agriculture Fair held in March 2010. As a result of the Natyra Fair and Budva Fair trade fair held on May, AWPk's transactions totaled more than €161,300. The KOTAS Travel day fair was very successful, with transactions totaling €197,088. These figures illustrate that trade fairs are highly successful in terms of transactions and networking for possible negotiated transactions. BSS provided assistance on trade fair participation and a manual how to prepare a successful presentation.

Benchmarks

- KPEP's objective is to enhance the ability of associations to provide value to members, raise revenue through products and services, and advocate effectively in priority sectors. **(ACHIEVED** through trainings, mentoring and constant follow up).
- KPEP will increase association membership and improve understanding by the Government of Kosovo and other stakeholders on the role and contribution of associations.

(ACHIEVED), through study tours and trainings. We helped the STIKK Association to increase membership by 10%.)

- The long-term impact will be the development of stronger associations that will facilitate the success of local companies and will boost the overall competitiveness of the sectors. **(ACHIEVED)**.
- KPEP will assess and quantify progress made by Kosovo business associations with the Association Development Index (ADI) tool. **(ACHIEVED** - BSS developed ADI for the second year).

Progress

We were very satisfied with progress made on this objective.

Component 3: Business Enabling Environment (BEE)

Strategy

The BEE team targets key legal and regulatory barriers in KPEP-relevant value chains. In some environments, these barriers are predominantly gaps in legislation. In Kosovo, however, these barriers are almost exclusively related to implementation of legislation – principally, the absence of implementing regulations, paucity of funding for what is often over ambitious government oversight of the economy, and the lack of capacity in the responsible ministries and agencies. The BEE approach to supporting KPEP’s objectives will continue to focus on implementation failures and difficulties wherever there is the highest likelihood for success as measured by growth in the sectors. This demand-driven approach supports KPEP targeted sectors through consultation with KPEP specialists, the private sector, government officials, and other donors.

BEE continues to employ three additional strategies in support of KPEP’s objectives for growth:

- The first is the continued effort to target high-impact areas of general business enabling environment relevance. This includes areas that generally affect many or all of the KPEP sectors but which are not especially dependent upon emergent issues. These types of interventions can, therefore, be more easily planned ahead. But since many of these issues are more substantial than KPEP’s resources allow, focus on these will be highly selective.
- The second strategy focuses on the trade environment. Increased capacity for trade is critical to the success of KPEP’s objectives, and much of the lack in capacity focuses on the business enabling environment. For example, even a basic understanding of the regional agreement that should facilitate huge increases in trade is sorely lacking. The BEE team builds general capacity as well as works in a more ad hoc fashion to facilitate individual cross border trades.
- The third strategy comprises the legal and regulatory needs inherent to attracting foreign direct investment. This is another demand-driven strategy and will be responsive to specific issues raised by potential investors and will be delivered in the form of exploration, analysis of, and where appropriate, intervention in, the laws and regulations protecting investment.

Business Enabling Environment

Objective 1: Support KPEP target sectors through demand-driven achievements in the Business Enabling Environment

Activities:

1. Forestry

4th Quarter Progress: A Forestry Tender Reform Assessment and a Draft Model Contract were drafted and submitted to USAID and the Ministry of Agriculture (MAFRD), with the objective of helping MAFRD to issue first tenders under a new plan in the spring of 2011. As a continuous process, in determining more precisely which leases would be reasonable for Kosovo, taking into consideration the local company capacities and the overall country's potential of developing this industry and possibly increasing the foreign investment, KPEP also conducted a feasibility study and a market analysis to determine demand for certified and uncertified timber from Kosovo. KPEP also provided input to MAFRD on its Draft Law on Forests.

Year 2 Progress: The current "one year" system of forestry management plans has not adequately fostered economic growth or revenue generation, and the public sector has proven ineffective in addressing illegal logging and unsustainable harvesting practices. We believe, and the best practices research conducted by the designated STTA, have shown that increased private sector engagement in forest management would help in increasing revenue generation and economic contribution, as well as improving environmental sustainability and reducing illegal logging. This can be addressed directly through reform in the forest tendering system to give the private sector greater responsibility, control, and incentive to target these challenges. Reviews of the relevant legislation has led to a better understanding of the legal framework and implementation issues that will likely arise during the certification process and thus BEE has worked on remodeling the forestry tendering procedures and finalizing the PPP model contract and the forestry tendering reform options. Through several small stakeholder meetings and discussions, including with the private sector and the municipal government, we have gathered suggestions and concerns regarding different forestry tendering options. These range from

short-term management plans currently applicable in Kosovo to longer contracts that have proven to be best practice throughout the world and countries in the region with similar characteristics to Kosovo. We have given the materials to the Ministry of Agriculture and have followed up with conversations about next steps, but no progress has as yet been made on the Law on Forests.

2. Construction

4th Quarter Progress: USAID and KPEP presented a plan to the Ministry of Environment and Spatial Planning that has allowed KPEP to redraft the Construction Law. The drafting included close and constant cooperation with the Ministry of Environment and with working group comprising KPEP, USAID, the US Embassy, ICO, and ECLO. As one of the first steps taken, a document presenting 14 issues that were identified within the current version of Kosovo's draft construction law and that have adverse effect on the private sector has been drafted, the same document which has been the basis for the private sector consultations, including the Association of Architects, Constructors, Road Constructors as well as all registered design and construction companies. Other consulted Government officials and related organization included the UN HABITAT, Kosovo Property Agency, Association of Kosovo Municipalities, Ministry of Agriculture, Economy and Finance, Energy, Culture, Trade and Industry and four Municipalities (Pristina, Shterpce/Strpce, Gjakova/Djakovica and Ferizaj/Urosevac). At the end of September, the draft was near completion and on target for an October 15 submission deadline.

Year 2 Progress: BEE continued to refine the draft Construction Law and anticipate more involvement in changes to the licensing regime. Support included drafting a Letter of Agreement between KPEP and Ministry of Environment and Spatial Planning to establish a Working Group for the licensing of Architects and Engineers according to EU best practices.

3. AgCLIR/BizCLIR

4th Quarter Progress: No activity for this quarter.

Year 2 Progress: The Agribusiness Commercial Legal and Institutional Reform Assessment (AgCLIR) carried out as part of the enhanced AG Framework Activity, was conducted in part by KPEP, and offered a unique insight into the BEE needs of the agribusiness community. A

number of follow on activities that can easily be undertaken by KPEP were identified, including additional trade training and contracting capacity building in the private sector. AgCLIR and BizCLIR assessments and findings were introduced on June 24 in a roundtable discussion between government officials, professional associations and active donors in Kosovo. In addition, KPEP proposed 10 short and medium term reforms that are relatively simple to implement and will have a significant impact on agribusiness. There has been significant interest in follow-up and in taking concrete steps towards implementation and the team is working toward this. A follow-up survey will be conducted in December, 2010.

4. ICT - ccTLD Kosovo Country Code and Domain Registry

4th Quarter Progress: Continued monitoring United Nations willingness to admit Kosovo into Statistical Database.

Year 2 Progress: BEE supported the ICT sector with preliminary work necessary to establish the ccTLD (Country Code Top Level Domain) registry. This included drafting an Administrative Instruction for the Ministry of Transport and Communications to establish the needed regulatory framework, substantial capacity building collaboration with the Telecom Regulatory Agency, and the development of a roadmap for the implementation of the registry. Further work and final implementation now awaits the entry of Kosovo in the UN Statistical Database. We remain uncertain about whether this will happen, but are prepared to act quickly if it does.

5. ICT – Collaboration with CLDP on ICT Industry/Legal Community Contracting Skills Workshop and Contracting Manual

4th Quarter Progress: The Intellectual Property Contracting Manual, which includes IP legislation, institutional IP infrastructure, international and European treaties and model contracts has been reviewed and finalized. The draft document will be presented to IT associations and the private sector stakeholders in late October.

Year 2 Progress: The BEE Team collaborated with the Commercial Law Development Program (CLDP--U.S. Commerce Dept.) in developing a follow-on program to CLDP's ICT Contracting Program. The second program, in March, included a seminar in contracting for approximately 20 ICT professionals and Commercial Lawyers, and led to the development of an ICT Contracting

manual that includes model contracts, guidelines and sample terms & conditions, which will be shared with STIKK, and released to the public in October. Additional seminars using the manual are planned for Year 3.

6. Agriculture – Review of the beverage Excise Tax Policy

4th Quarter Progress: None

Year 2 Progress: A thorough review of the excise tax structure regarding beverage production and import was carried out in March 2010. The recommendations, which range from leaving the present structure as it is, to cutting excise by 50%, depending on the product, were submitted to the Ministry of Economy and Finance for action. The Ministry of Economy and Finance has chosen to leave the excise tax as it is, thus positively affecting consumer prices.

Benchmarks

- Results focus on improved legal framework in highly relevant areas through revision or termination of at least six draft laws or policies, as well as better implementation of existing laws and regulations, leading to increased legal stability for investment (**PARTIALLY ACHIEVED** - KPEP's work had positive effects on the Construction Law, the regulatory environment for the ccTLD, the Law on Forests, Excise Taxes on imported products, and the regulatory structure for forest tendering).
- Through policy advice and trainings we also anticipate increased capacity of the GoK to respond to the needs of the private sector. (**ACHIEVED** - AgCLIR and BizCLIR provided excellent opportunities to point out both problems and resolutions).
- While the final results may appear to include only the passage or reform of legislation or policy, intermediate results also include a better understanding of policy and implementation needs, stakeholder review, policy assessment, and public-private dialogue (**ACHIEVED**).

Progress

Progress for this objective is on track.

Business Enabling Environment

Objective 2: Facilitate improvement in competitiveness indicators through targeted achievements in the Business Enabling Environment

Activities

1. Advocacy Strategy

4th Quarter Progress: KPEP, SEAD, ABA/ROLI and the Kosovo and the American Chambers of Commerce implemented the Advocacy Strategy workshop as a joint event on July 20. Invitees included acting chambers of commerce, government officials, sector specific associations as well as media.

Year 2 Progress: The finalized advocacy strategy outlined the concrete steps and procedures through which a draft law must pass, beginning with the first working group inside of a specific ministry, then following with other areas of the government and assembly, and ending with all the intervention points where under certain conditions an individual can intervene and make suggestions or comments.

A validation committee consisting of professionals in several different areas such as Customs, the Law Faculty, the Assembly, Ministry of Justice and others have reviewed the Advocacy Strategy and have provided input in finalizing the draft document, which BEE along with collaborating partners, SEAD and ABA/ROLI presented in a roundtable presentation and discussion on July 20. The group included professional associations such as KCC, KCA, AMCHAM, and KBA. The draft document itself and the awareness activity have been included by the Kosovo Chamber of Advocates as one of the Mandatory Continuing Legal Education courses for judges and lawyers across Kosovo.

2. Legislative Strategy Analysis

4th Quarter Progress: Preparations for the 2011 Legislative Strategy began. Because the GoK strategy is not made public until December of each year, KPEP has begun going from ministry to

ministry to gather information on legislation that is likely to be included. With this information, KPEP can advocate for exclusions and other changes before the document is made official.

KPEP has also tracked some of the KPEP relevant laws taken from the Legislative Strategy 2010.

- Labor law from the Ministry of Labor and Social Welfare is currently under revision at the Functional Committee Lead, Budget and Judicial Committee.
- Forestry law from the Ministry of Agriculture, forestry and rural development is still at the initial Executive Government - Ministry Working Group.
- Amendments to Freedom of Association in NGO's from the Ministry of Public Administration are still at the Executive Government - Ministry Working Group.
- Telecom law from the Ministry of Transport and Telecommunications still has not been drafted.

Year 2 Progress: A list of all KPEP relevant laws that should be drafted and adopted by the end of this year has been compiled from the Government's Legislative Agenda for 2010. We have also marked comments regarding the content of the laws, their current status and stage in the GoK, as well as the importance of continuing drafts and replacing old law.

3. VAT Reimbursement

4th Quarter Progress: All activities occurred before the 4th Quarter.

Year 2 Progress: After reviewing Kosovo's practices on reimbursement of VAT paid on imported inputs, reviewing regional best practices, and consulting with other experts on Kosovo's law and procedure, commentary recommending specific administrative instructions to supplement the new Tax Law has been submitted to the GoK. The presentation created for reviewing the procedure will be revised based on changes to the procedure. It will be used as a training guide for the private sector when the final provisions of the Tax law are implemented in 2011.

Benchmarks

- KPEP expects improvement in the Business Enabling Environment generally, as evidenced by improvements in the CLIR Indicators, and for KPEP's sectors particularly, as evidenced

by steps accomplished in the Policy Index as well as anecdotal information. **(ACHIEVED - Both the BizCLIR and Policy Index evidenced improvements resulting from KPEP interventions).**

Progress

KPEP is on track to achieve the anticipated results for this objective in the coming year.

KPEP measures its success in the general business enabling environment according to improvements in the Commercial Legal and Institutional Reform Index, the KPEP Policy Index and anecdotal results in the business community. The year saw incremental improvements in our benchmarking measurements, though improvements resulting in actual growth in sectors will be a longer term measurement effort.

Business Enabling Environment

Objective 3: Assist key public and private entities to understand rights and obligations under existing bilateral and regional trade agreements, comply with the terms of such agreements, and be able to assert and defend rights and privileges created by the agreements

Activities

1. Geneva Study Tour and Trade Rapid Response Team

4th Quarter Progress: Held two follow-up meetings with the Study Tour participants to obtain views on Kosovo's progress in regional and global trade best practices integration. Discussed Trade Rapid Response Team with both new USAID Project (KBEEP) and other donors. KBEEP showed little interest, but Swiss Cooperation has shown an initial interest in pursuing additional activities with the Team.

Year 2 Progress: With assistance and funding from World Learning, KPEP took nine GoK and two Chamber of Commerce representatives to Geneva for a week of intensive capacity building in trade policy best practices and practical approaches to participation in the Central European Free Trade Agreement and future accession to the World Trade Organization. The group met

with the economic diplomatic community in Geneva and representatives from several trade related organizations (WTO, ITC, UNCTAD, UNIDO, WTI, EFTA) and also participated in trade capacity building seminars. As a result of the Study Tour, the GoK has developed its first inter-ministerial Trade Council, which has apparently met once.

Important observations from the study tour:

- All the participants were enthusiastic learners, and came away with a much greater understanding of the challenges Kosovo faces in trade policy, as well as their role in the pragmatic development and implementation of policy that facilitates trade rather than burdens it;
- The idea of creating a Trade Rapid Response Team (TRRT) was very well received. In the week after the Study Tour, Deputy PM Kuqi, and Minister of Trade and Industry Zharku briefed KPEP on their plan to establish such a team immediately;
- Thanks to the creativity and dynamism of one of the lecturers (Mr. Roberto Cordón), the theme of the week became *Kosovo: The Fast Fish*, and was enthusiastically adopted by the group. The slogan originated in the following logic, from a lecture by Mr. Cordón: *The big fish used to eat the small fish; now, the fast fish eat the slow fish*. Kosovo is not a big fish, so it can and must take advantage of intelligence and nimbleness;
- All the participants agreed that the time has come for separation of the political aspects of trade from the institutional/legal aspects;
- Though the focus of the study tour remained on regional and general trade capacity issues, there was a clear interest in practical approaches to WTO Accession;
- A number of the experts/diplomats implied that Accession as a *Separate Customs Territory* might be an opportunity to be taken sooner rather than later, but all were very clear that Kosovo needed to discuss all options with the U.S. and EU. “*State in the Making*” Observer Status is also an option, but will require a second application when Kosovo decides to officially accede, an option that may not be viable after Russia and Serbia gain membership. Four Accession Options, each of which entails many benefits and drawbacks, were discussed –
 - Observership – Not, strictly speaking, accession;
 - Separate Customs Territory;
 - State;

- Do nothing.
- Beyond the need to discuss trade issues with the U.S. and EU, there were recommendations, particularly from the Swiss Ambassador, to carefully seek out similarly situated countries both for lobbying purposes and for lessons learned. Examples were Landlocked countries (for which there is an informal committee in the WTO) and small countries;
- The Director of the European Free Trade Association (EFTA) was interested in exploring the possibility of a free trade agreement with Kosovo. He said he needed to discuss with the EFTA member countries, all of whom have recognized Kosovo;
- One very important point made by the Croatian diplomat: taking disproportionate trade measures against other CEFTA members will result in “naming and shaming” in the larger WTO accession context. This is occurring in the accessions of Serbia, BiH, and Montenegro;
- The Turkish Ambassador discussed the possibility of a BiT and free trade agreement with Kosovo;
- Singapore came up several times as a country with a very similar background to Kosovo. It was recommended as a model for trade policy development and as a venue for future study tours.

Benchmarks

- Anticipated results include higher commercial legal and negotiation capacity among all GoK ministries and agencies with some impact on Kosovo's trade integration, with a higher and improved ability to not merely understand CEFTA and other obligations but also be able to assert the country's rights and remedies under CEFTA. **(PARTIALLY ACHIEVED** - Success can be measured by progress on the Policy Index as well as increased exports of value added products and imports of raw materials for value added processing in Kosovo).

Progress

Kosovo's capacity for growth in exports and ability to import needed raw materials and intermediate goods remained critically low, and political obstacles to pragmatic trade participation remain very high, but there is a new and accelerating enthusiasm at the advisory level, as well as among some ministers, for meaningful, non-political engagement with the international community on trade policy.

The Geneva Study was a tremendous success, and the group is becoming well known for its advocacy of pragmatic trade policy reform. Nonetheless, with KPEP moving away from a focus on trade, and little being done in this area by KBEEP, the momentum gained will be lost rapidly.

Business Enabling Environment

Objective 4: Support increased foreign direct investment

Activities

1. Promotion of Kosovo as an attractive place to invest

4th Quarter Progress: We offered additional support to British Chamber of Commerce in Kosovo and its member, Eastern Renewables, in its quest to invest in renewable energy in Kosovo.

Year 2 Progress: KPEP provided assistance to a number of investors that have either already begun setting up operations in Kosovo or have firm plans to do so in the near future. This group of investors includes a UK company that has signed, with KPEP's assistance, an MOU with the Ministry of Energy for solar and biomass energy production, a software company with solid plans to bring its production facility to Kosovo, and a UK firm prepared to actively engage in some of the recommended AgSTRAT projects.

KPEP has provided an advisor to Cactus, an IT software developer and trainer, which has been approached by several investors. The advisor has assisted Cactus with an evaluation of the company and has provided strategic advice for the planned outcome of the negotiations and during the negotiations. KPEP expects that the investment of approximately is € 2m will be finalized during the calendar year.

KPEP has assisted a Swiss investor to identify property for the establishment of a vegetable collection and processing center. KPEP helped the investor to find adequate space and to conclude a lease contract. The company is in the process of setting up the collection center,

and plans to start processing towards the end of the year. The initial investment is estimated at €200,000.

2. Development of Investment Briefers

4th Quarter Progress – Investment briefers were developed as part of the assignment undertaken by STTA Andrew Vonnegut last fall and have been disseminated as appropriate. As a result of this outreach, a number of Turkish companies contacted KPEP in this quarter to inquire about investing in mining ventures. However, the magnetite grade was considered to be insufficient by the Turkish companies.

Year 2 Progress -

New investment briefers have been developed from a Greenfield investment study last summer. This Greenfield investment research identifies a select number of investment opportunities for Kosovo that will be marketed to selected groups of investors. High potential investor groups will also be identified through this study. We have found that Diaspora and informal channels are a major channel for information and investment for Kosovo.

3. UK investment delegation

4th Quarter Progress: None

Year 2 Progress: Working closely with the British Chamber of Commerce in Kosovo, KPEP provided extensive support to innovative programs designed to help investors feel more secure bringing business to Kosovo. This includes collaboration on the Genesis Initiative, a group of philanthropic UK investors led by Prince Michael of Kent and its work in promoting Kosovo, as well as the Tony Blair visit, which generated significant interest from the investment community.

Benchmarks

- **Increased awareness of investment opportunities in Kosovo (PARTIALLY ACHIEVED -**
Investors, particularly those who may be interested in Kosovo, have tended not to be attracted to specific opportunities we have cultivated and presented. The awareness we have witnessed has been in Kosovo generally, mainly for reasons of philanthropy combined with a sense that money is to be made in Kosovo. The specific investment interests have

been somewhat surprising – from bio energy production to pizza stores. Awareness of the potential in Kosovo has increased with this approach).

- **Enhanced comfort among potential investors in the investment climate of Kosovo (PARTIALLY ACHIEVED)** - KPEP's objective has turned, in part, from identifying specific investment opportunities, to assisting interested investors in identifying solutions to investment barriers. In working with some investors in energy and in software development, we have been successful and expect significant investments in the coming several months.

Progress

Progress under this objective has improved substantially with growing interest from investors from the UK Prince Michael delegation (in which KPEP actively participated), as well as interest generated by the AgCLIR and AgSTRAT documents.

Component 4: Workforce Development (WFD)

Strategy

Building on our experience in the first year of the project, KPEP continues to implement the same basic strategy in workforce development. Programs are focused on both current and future workers. Our overall approach is to design, pilot, assess and refine, and then go to scale with specific workforce development activities.

Our first objective is to identify and address critical workforce development issues in specific KPEP sectors. This includes identifying skills gaps, providing targeted training, and improving job placement through job fairs and internships. Where possible, KPEP also seeks to institutionalize training programs with local workforce development organizations by introducing demand driven curricula, training, and practical skill-building programs. The ultimate goal is to make such training available at scale through institutional adoption, and to contribute to the growth and improvement of local institutions. In that phase, KPEP will shift to a capacity-building activity, and away from direct service delivery. KPEP also seeks to assist selected workforce development institutions to better meet the needs of individuals and industry. An initial feasibility study of municipal-based Youth Employment Service (YES) centers was undertaken at the beginning of Year 2; the report was highly positive and recommended the establishment of pilot centers in two municipalities from a list of six candidates.

Finally, KPEP seeks to expand the economic opportunities available in the economy, particularly for youth. In a slow-growing economy with many more new entrants each year and only a few jobs available in the formal sector, new approaches are required. KPEP provides support to individuals to learn how to plan and develop their own enterprises. The Pilot Entrepreneurship/Micro-Enterprise Training Program is KPEP's first substantial effort in this field.

Workforce Development

Objective 1: Identify and address critical workforce development issues in KPEP target sectors

Activities

1. Sector Specific Internship Programs - Dairy Internship Program Phase 2

4th Quarter Progress: WfD conducted performance evaluation for interns and the level of satisfaction for Bylmeti (the hosting company for the program). Both farmers and dairy processing companies, who requested that the internship program be extended as an advisory and training service to farmers in order to improve milk quality, expressed appreciation for the program.

Year 2 Progress: Upon successful completion of the pilot Dairy Internship Program, (in the third quarter of Year 1 and in the second quarter of the Year 2), KPEP initiated the second phase, which benefited 15 interns, including 5 mentors from the first phase and 10 new candidates. The internship program included specific training on milking procedures, udder disinfection after milking, identifying mastitis with a CMT test, and milk hygiene regulation for the MAFRD, to increase the level of knowledge with respect to steps required to improve milk quality. After the training, interns had an opportunity to put the knowledge and skills gained during studies into practice, by providing advisory and training services to 5 dairy processing companies and 159 farmers.

The results of the monitoring and evaluation by KPEP and an implementing partner indicated high level of satisfaction for companies, farmers and interns. All parties involved found the program interesting and mutually beneficial, and asked that the internship program continue.

2. Wood Industry Internship Program

4th Quarter Progress: As standard procedure with all internship programs KPEP carried out independent performance evaluations for 16 interns and the level of satisfaction for 7 wood

processing companies. The supervisors/mentors indicated that the level of intern performance at the beginning was not satisfactory because interns were not prepared with the skills necessary to practice carpentry. After a 3-month probation phase and in- company training, intern performance improved. As a result, 14 out of 16 interns were offered full time employment. To increase the key life skills of every intern, the implementing partner also provided individual training on soft skills.

Year 2 Progress: The wood industry internship program began February 26, 2010 and was implemented by the Association of Wood Processors of Kosovo (AWPK); 16 carpentry candidates from Vocational and Education and Training (VET) schools and Vocation Training Centers (VTC) throughout Kosovo and 7 wood processing companies benefited from the program. AWPK announced the program with education and training providers; informed and identified wood processing companies interested in cost sharing for intern stipend and host interns; adapted the existing internship templates and procedures developed by KPEP according to the needs of the wood industry; short listed applicants; arranged the interview process with companies, provided soft-skills training and closely monitored the internship program.

AWPK evaluated intern performance with mentors/supervisors at respective companies after three months. This evaluation served as the basis for extending their internship agreement. Results indicated that the internship program was beneficial for interns, as it provided in-company training --more practical than 3 years of carpentry VET school studies -- and companies, as it provided an opportunity to preview intern skills and benefit from improvement, risk-free. The wood industry internship program was particularly successful; 14 out of 16 interns received full time employment.

3. Construction Internship Program

4th Quarter Progress: KPEP agreed with the Road Construction Association of Kosovo (RCAK) board president to postpone the construction internship program to March 2011, to coincide with the start of the construction season.

Year 2 Progress: On February 26, 2010 KPEP signed a contract with RCAK to implement the construction internship program. RCAK identified interested construction companies willing to host interns and cost share interns procedures, inform the Dean of the Faculty of civil

engineering and develop promotional materials. The project aimed to recruit and place at least 11 interns (10 interns at construction companies and 1 at RCAK). The activity was postponed due to misunderstandings (related to misaligned strategic foci of KPEP and RCAK) that were not effectively and promptly resolved.

4. Regional Job Fairs

- **ICT Job Fair**

4th Quarter Progress: We completed this activity in Q1

Year 2 Progress: On December 16, 2009, STIKK organized the ICT Job fair. STIKK designed and carried out a survey with employers (ICT companies) to identify vacant positions and post vacancies online; establish an online application process through two online portals; offer training on Human Resource Management for ICT companies; and prepare the short-list of qualified candidates and organize the interview process. At the actual Job Fair, STIKK reported that 6 out of 8 ICT companies paid booth space; 782 applicants applied for 26 job vacancies via two online portals; 178 applicants applied on the day of the event; 86 short listed candidates were interviewed during the job fair and 28 were invited for the second interview.

STIKK reported that two candidates were offered employment but did not accept due to reservations about wages; companies also reported that they did not find adequate candidates for the positions announced; this indicates that young people lack the skills necessary to be employed in the ICT sector. As a result, KPEP is conducting ICT skills gap analysis, which will be available during Year 3 of the project.

- **Tourism Job Fair**

4th Quarter Progress: On September 14, MDA organized the Tourism Job Fair.

MDA reported that of the 41 experience providers who paid for booth space, 26 participated in the fair; 87 vacant positions were announced, mostly waiters, chefs and receptionists; 273 applicants were pre-selected from 1000 applications received; 120 short-listed applicants were trained in CV writing, interview techniques and career planning training. MDA reported that 334 job interviews were held during the Tourism Job Fair, 45 job interviews were held after the job

fair (at the Hotel Grand) and that there were approximately 100 follow-up interviews. As of this quarter, MDA reported that 20 candidates were employed, 3 interns were placed and 70 candidates are awaiting responses following their second interview with companies.

The implementing partner conducted three types of evaluations, including training and job fair evaluation from experience providers/employers and visitors/employees. The results of the evaluation included the following recommendations: extend the job fair from one to two days; organize the tourism job fair twice a year (in spring and autumn); organize similar job fairs in other sectors; and all participating companies should have vacant positions. Overall, visitors/employees were satisfied with training and job fair organization.

Year 2 Progress: KPEP's strategy was to initiate sector-specific activities through sector specific associations. KPEP therefore initially approached KOTAS's Executive Director with this proposed initiative. He asked that we postpone the activity until May 2010. In May 2010, however, when we issued the RFP, KOTAS did not apply. Hence, KPEP subcontracted MDA to organize a tourism job fair. The results of the Job fair are encouraging when compared to the ICT job fair. KPEP has contracted MDA to follow up and report on results in the first quarter of the third year.

- **AmCham (Construction) Career Fair 2010**

4th Quarter Progress: The activity was completed in Q3.

Year 2 Progress: On May 13, 2010 eleven major companies, including Bechtel Enka, ProCredit, BU&Partners, CocaCola Hellenic Kosovo, KPMG and 3CIS, participated in the Career Fair organized by AmCham and sponsored by KPEP. Approximately 150 vacant positions (mostly in the construction sector) and six internships were offered. Close to 800 young people attended, and over 500 resumes were submitted to firms, who conducted initial interviews. AmCham reported that as a result of the career fair, two candidates were employed by BU&Partners and MDA, and 4 interns were placed at AmCham and BU&Partners. Though AmCham and KPEP requested the information, Bechtel did not report on results.

- **Wood Industry Job Fair**

4th Quarter Progress: KPEP contracted the Association of Wood Processors of Kosovo to organize the wood industry job fair. Both organizations agreed that the job fair would be organized either during the last week of October or the first week of November 2010.

5. Good Agriculture Practice (GAP) Good Wild Crafting Practice Training

4th Quarter Progress: The activity was completed in the Q2

Year 2 Progress: During the first quarter, international and local STTAs were engaged to develop a strategy for a manual and training module in the context of good agricultural practices (GAP). The manual and training module were finalized in Q1. The actual training on good agricultural practices was organized in 11 villages during February and March. More than 466 Collectors were trained, 272 of which were youth, 219 of which were minorities and 81 of which were women. For more information, please refer to the Agriculture section.

6. International accreditation of the KEK training center for welding

4th Quarter Progress: After a long process of selection and negotiations KPEP subcontracted ISQ Portugal to conduct a fact-finding mission on KEK training center accreditation for welding. The findings and recommendations of the mission will be available in the first quarter of Year 3.

Year 2 Progress: Following a long process of negotiations, KEK and KPEP signed a Letter of the Agreement on March 31 to support the accreditation of the KEK Training Center to provide internationally recognized welding courses and certification. On May 13, 2010 KPEP sent the RFP to 6 different Welding associations (including the American Welding Society) but received only two proposals. The length of the process from RFP announcement to closing the contract was 4 months. KPEP signed a contract with ISQ Portugal; the company started the fact-finding mission in September 27, 2010; results will be presented on October 6, 2010.

7. Skills Trainings offered by the ICT Association

This activity was cancelled due to overlap with other ICT activities. Please also see the ICT sector report for further information.

Benchmarks

The Workforce Development Team anticipates two levels of results.

Future Worker Initiatives:

- Increase in internships from 30 in Year 1 to a total of 70 in Year 2 (**EXCEEDED** our target to 193 in Year 2).
- Higher rates of employment among graduates who participate in internships, as compared to their non-intern peers (**ACHIEVED**: 60% of interns who participated at KPEP internship programs were employed).
- Increase in participants in job fairs from 55 in Year 1 to 300 in Year 2 (**EXCEEDED** our target – approximately 1200 candidates participated in three job fairs).
- Internship placement from job fairs to 30 in Year 2 (**NOT ACHIEVED**: 7 individuals received internships; Note: Bechtel has not reported employment figures resulting from the Job fair).

Full-time direct employment placement from job fairs to 50 in Year 2 (**NOT ACHIEVED**: only 17 candidates employed as a result of job fairs;

Current (incumbent) Workers:

Increased competitiveness of potential workers in the construction sector through an international-standard level training program in welding (**NOT ACHIEVED** due to the fact that KEK accreditation was not completed)

- One welding instructor and one welding engineer will be trained (**NOT ACHIEVED** due to the fact that KEK accreditation was not completed).
- KEK training center will be licensed as internationally recognized center (**NOT ACHIEVED** because the process for signing of the MOU and selecting the contractor to conduct the fact finding mission lasted more than 6 months).
- 50-70 incumbent workers in construction will receive internationally recognized certificates on welding (**NOT ACHIEVED** due to the fact that KEK accreditation was not completed).

Progress

Overall, activities implemented during Year 2 indicated excellent progress with respect to training, internships and job fair participation. KEK accreditation to provide an internationally recognized welding course and welders' training was not completed because finding a qualified contractor to conduct the fact-finding mission lasted over 6 months. Progress in placement out of job fair activity was less than expected.

Workforce Development

Objective 2: Institutionalize training programs within local workforce development organizations to ensure sustainability

Activities

1. Furniture Design Curriculum for Technicians

4th Quarter Progress: KPEP is working in close cooperation with the Dean of the Faculty of Applied Sciences and Wood Technology in Ferizaj/Urosevac to develop a curriculum and to train professors on furniture design. The estimated time for completing this activity is six months to one year, depending on the institutional capacity of the Faculty and the Accreditation Agency.

Year 2 Progress: KPEP initiated the Wood industry skills gap analysis at the request of the president of the Council for Curriculum Development, prior to undertaking curriculum development in furniture design. MDA carried out the wood industry skills gap analysis during the second quarter and presented findings to MEST and all relevant stakeholders on April 15. The findings indicated a lack of skilled workforce in CNC machines, furniture and design operations. It also revealed that respective schools in the municipality and MEST do not sufficiently promote production management and carpentry VET/VTG.

Though KPEP initially began the process of developing the curriculum for furniture design technicians, the Ministry of Education Science and Technology (MEST)'s VET department was more focused on other processes, such as defining curriculum and professional standards development methodology; establishing the National Qualification Authority; drafting and approving the National Qualification Framework: building four centers of competence and training teachers etc. KPEP is now in the process of negotiating with the Dean of the Faculty of Applied Science in Ferizaj/Urosevac to support the development of a curriculum for design in wood technology at the tertiary level of education.

Promotion of the VET/UTC in carpentry – Carpentry Day in six municipalities

4th Quarter Progress: KPEP monitored the results of the promotional campaign conducted during May 2010. As a result of the campaign in carpentry VET, 45 students are now enrolled in Podujeva/Podujevo, compared to last year, when there was no class; 15 students are now enrolled in VET in Peja/Pec, compared to 10 enrolled last year; 7 students expressed interest in VET in Decan/Decan compared to zero last year.

Year 2 Progress: The findings of the Skills gap analysis indicated a lack of interest by young people to enroll in the carpentry VET/UTC. As a result, KPEP organized the Carpentry Day promotional event May 24 - 31 in the six municipalities where there are wood processing VETs/UTCs and at the wood processing section of the Faculty of Applied Science. More than 550 elementary and secondary school students and teachers received information about the high demand for a skilled workforce in this fast- growing industry that is becoming competitive in regional markets. In the fourth quarter, KPEP monitored the results of the promotional campaign, which indicate that in some municipalities, although the number of students enrolled in this profile generally increased, it was not at the levels expected. Teachers and school principals recommended that the promotional campaign should last longer (1 week per municipality) and should take into account all elementary schools in the municipality and surrounding villages. KPEP suggested to schools that this was an initiative they should undertake going forward.

2. Adoption of the HACCP standard course into curriculum at appropriate institutions

4th Quarter Progress: KPEP agreed with the Swiss Contact to sign a letter of agreement in order to identify the responsibilities of each party in including the HACCP standard training course into the curriculum. The Swiss Contact signed an MOU with MEST to support the Agribusiness Center of competence (CoC) in Pristina. KPEP agreed to further develop the HACCP course curriculum and train Agribusiness CoC and other interested Agriculture schoolteachers, who will offer the HACCP course.

Year 2 Progress: In cooperation with Swiss Contact, KPEP shared with MEST tour interest in piloting the HACCP training program to three agriculture schools. From June 7 to June 19, 154 secondary school students and teachers from agriculture schools in Lipjan/Lipjan, Pristina and

Gnjilane/Gjilan, participated in a KPEP-organized four-day training course on HACCP standards and certification.

Participants were introduced to the HACCP system and the procedures and control measures that one food processing company should undertake to implement standards; they worked in groups to each prepare a plan for one company; completed a knowledge assessment paper; and visited a HACCP certified company; of the 151 participants certified, 51% were female and 85% were under the age of 25. In Q4, the STTA will present the findings of his research with respect to the interest of companies, schools and students to include HACCP standards as a chapter in the curriculum for agriculture schools. The impetus for this is the promulgation of the new law on food safety, which obliges companies to comply with HACCP standards in order to be eligible for exports to the EU.

During Year 3, KPEP agreed with Swiss contact to engage in further development of curriculum and teacher training.

3. Develop an approach to ICT curriculum from needs identified in skills gap analysis

4th Quarter Progress: We developed and announced the RFP for ICT skills gap analysis. After a lengthy process of announcement and selection (almost 2 months) we selected STIKK to be the implementing partner for this project. The contract will be signed in October 2010.

Year 2 Progress: KPEP's strategy prior to proposing and developing a curriculum was to conduct a skills gap analysis. Once the results of the findings are presented, KPEP will work accordingly to develop a curriculum and organize teacher training to ensure that the information is appropriately passed on to students. We anticipate that the results and findings of the report will be available in Q2 of Year 3.

Benchmarks

KPEP anticipates the following results:

- Skills demand analysis produced for three sectors, shared with MEST, relevant industry associations and member firms (**ACHIEVED** - KPEP conducted two out of the three planned sectors - wood industry and ICT. We did not conduct a skills demand analysis for the food processing industry because DANIDA, another donor, undertook this activity).

- Three curriculum proposals prepared and offered to MEST National Committee on Curriculum Development (**NOT ACHIEVED**, due to developments at MEST explained earlier in this section. One out of the three curriculums was developed and introduced to schools).
- At least one curriculum adopted by the Committee and implemented in VECs conduction instruction in this profile (**NOT ACHIEVED**, due to developments at MEST explained earlier in this section).
- Coaching and technical assistance are developed and refined, and are accepted by VTCs adopting curriculum, (**NOT ACHIEVED**, due to developments at MEST explained earlier in this section).

Progress

The activities implemented under Objective 2 during Q3 indicated that KPEP was on the right path to achieving most of the anticipated results. However, because MEST is currently focused on the National Qualification Authority, reestablishment of the Council of VET, the National Qualification Framework, and the Curriculum Framework, we are postponing anticipated results such as curriculum adoption, coaching and technical assistance to Year 3.

Workforce Development

Objective 3: Assist selected workforce development institutions to better meet the needs of individuals and of industry; ensure that training is more practical and experiential

Activities

1. Support Continued and Expanded Cross-Sector Internships

Cross-Sector internship program – phase 1 and 2

4th Quarter Progress: WUS Austria continued to arrange interviews for the 6 remaining candidates to be placed with organizations; (34 were already placed in the previous quarter) The lists of pre-qualified candidates were provided to all public institutions interested in hosting interns. In this quarter, all interns were divided into two groups and have participated in four different trainings, including: Team work, Academic Writing, Business plan for home-based business, and career planning. Interns were placed with various public institutions including 6 municipalities (19), the Ministry of Justice (6), the Ministry of Economy (6), the Ministry of Energy (5), the Kosovo Chamber of Commerce (3) and CHF International (1). Interns reported satisfaction with the program because they were able to create linkages turn theory into practice; institutions were satisfied with interns' performance.

On November 2, 2010, interns from 4 projects – Wood Industry, Raw Milk Quality, cross sector, and Accounting and Finance Training -- will receive certificates for training and internship completion.

Year 2 Progress: KPEP's strategy in WfD component was to pilot programs and go to scale if proven successful. One such project was a 6-month Business and Economics internship program implemented during the fourth quarter of Year 1 and the second quarter of the Year 2 by WUS Austria. The pilot project included 10 students from the Economic Faculty of the University of Pristina and AUK, who were placed in five institutions (MEF, MTI, Kosovo Customs, Chamber of Commerce and KPEP). The six-month internship program included practical on the job training and three soft skills training modules: Presentation skills, Academic Writing and

Career Development. The monitoring report revealed that the internship experience was beneficial to both interns, who applied classroom learning in the work place, and institutions, who were able to preview candidates' skills as potential employees. As a result, 7 interns found full time employment

Upon the successful completion of the pilot project, KPEP initiated and implemented the second phase of the cross-sector internship program. On May 24, 2010, we announced the second phase of the three-month cross-sector internship program, which included 40 interns from the Faculties of Law, Economy and Civil Engineering; 350 applicants applied for 40 internships. A committee comprised of three professors short-listed 115 candidates from three faculties (Economy, Law and Civil Engineering). On June 25, prior to interviews with host institutions, all short listed candidates were required to attend the short course on interviewing and presentation skills. During Q4, all candidates were placed with respective hosting institutions; given information on internship procedures and reporting requirements; and attended 4 training courses: Team work, Academic Writing, Business plan for home based business, and career planning.

Accounting and Finance Training and Internship Program – phase 1 and 2

4th Quarter Progress: The remaining 57 students (of the 103 recruited from AFAS who attended the accounting training) completed the internship learning objectives and were placed at banking institutions interested in hosting interns. KPEP's independent monitoring process indicated that both interns and banks are satisfied with the program and student quality. As a result, Procredit and Raiffeisen bank requested that 70 candidates start the internship program in January 2011.

AFAS reported that 59 (57%) out of 103 interns were offered employment. On November 2, 2010, interns from 4 projects – Wood Industry, Raw Milk Quality, Cross sector, and Accounting and Finance Training a -- will receive certificates for training and internship completion.

Year 2 Progress: The same pattern held for the Account and Finance Training and Internship Program implemented by the Association for Finance and Accounting Services (AFAS). Of the 98 candidates who took the written test, a committee of Bank HR managers interviewed 45, and 25 (18 female, 7 male) were selected to attend a three-week intensive training program related

to accounting, financial analysis and accounting for tax purposes. After passing the exam, interns were placed at 3 banks and 2 micro finance institutions to complete a 2-3 month internship program. All 25 students were offered full time employment. Building on success of the pilot project, KPEP initiated and implemented the second phase of the accounting and finance training and internship program with 100 interns placed at: Procredit Bank (45); TEB (24); Banka Ekonomike (13), Raiffeisen Bank (14) and BZMF (7). We considered the project to be successful since 59 out of 103 interns were offered employment

2. Improve coordination and cooperation between workforce development organizations

4th Quarter Progress: KPEP supported the Department of Youth to develop Administrative Instruction for Youth Volunteer work, which was signed by the Minister of Culture, Youth and Sports. KPEP also participated in at least four donor meetings on the curriculum development sub-group to prepare recommendations specific to curriculum development methodology, professional standards development methodology and revision of the VET education strategy.

Year 2 Progress: On October 8, 2009, KPEP in cooperation with Swiss Contact initiated the first implementers' meeting where more than 30 implementers introduced their programs. As a result of recommendations from the first meeting, KPEP also hosted the second and the third meetings on Agriculture and Entrepreneurship. Recommendations from both meetings were sent to VET division / MEST.

On May 5, MEST's VET division organized a meeting with all donor/implementers in an effort to better coordinate the activities related to the VET division. Three subgroups were proposed: Centers of Competency, Monitoring and Evaluation, and Curriculum Development. KPEP was invited to participate in the curriculum development group. To date, at least 5 sub-group meetings were organized to develop a four-step matrix for curriculum development where different implementers indicated steps and procedures for: analyzing a job, developing a curriculum, implementing a curriculum and monitoring and evaluation. The meetings also resulted in recommendations being provided to the MEST VET division with regard to methodology that should be followed when developing the curricula.

3. Conduct Feasibility Study for the Development of Municipality-based Youth Employment (YES) Centers

4th Quarter Progress: Same as Year 2.

Year 2 Progress: We hired an international STTA to conduct a Feasibility study on the desirability and feasibility of establishing Youth Employment Service programs. The findings of the study indicated that the concept of a YES Program support the national policy of the Ministry of Culture, Youth and Sport. Moreover, the approved budget for the Kosovo Youth Action Plan includes resources for the implementation of six municipal based YES Centers. The YES Programs (attached to Youth Centers) would create an enabling environment to better serve the youth of Kosovo. YES programs were found to be appealing to municipalities, public and private structures at the local level and the Department of Youth at the central level. Moreover, YES programs were considered to be desirable and necessary by focus groups of young people who indicated that these programs would facilitate greater access to the labor market, provide more opportunities for practical training and experience, and offer greater guidance on how to enter the workforce.

Benchmarks

- Internships with the Ministry of Economy and Finance, the Ministry of Trade and Industry, the Chamber of Commerce, and Kosovo Customs are successful, and replicated with at least one other ministry. (**ACHIEVED** - the internship programs were replicated with the Ministry of Energy, 6 municipalities and banking & finance institutions).
- A minimum of 20 interns are successfully recruited and placed (**ACHIEVED** and exceeded - 193 interns were successfully recruited and placed).
- At least 10 interns are hired full-time following graduation (**ACHIEVED** and exceeded - approx 60% [59 interns] of KPEP interns found full time jobs).
- Improved dialogue and coordination between workforce development organizations and industry (**ACHIEVED**).
- The Youth Employment Service Program feasibility study is undertaken (**ACHIEVED**).

Progress

The activities implemented during Year 2 indicated that KPEP was successful in fulfilling the targets for this objective.

Workforce Development

Objective 4: Increase economic opportunities, particularly for youth, by building entrepreneurial skills

Activities

1. Entrepreneurship Training Program - Start-Ups - Phase 1

4th Quarter Progress: The activity was finalized in Q3.

Year 2 Progress: KPEP subcontracted the Business Support Center in Kosovo (BSCK) to carry out the entrepreneurship training program in Drenas and Prizren/Prizren. The program included 50 candidates (25 per municipality) who benefited from 10 training modules (5 days), 200 hours of consultation, access to a favorable loan program (5% interest rate) and KPEP grants for two best business plans (20% of the total amount the loan). BSCK signed partnership agreements with youth centers in both municipalities. Of the 129 who applied, 50 selected candidates signed a letter of commitment. To ensure consistency between trainers' knowledge and training modules, BSCK organized a two-day pre-training course with all selected trainers/co-trainers from youth centers. Upon completion of the training program, BSCK offered a one-week of consultation to all candidates who developed a business plan. Business plans were presented and evaluated by the committee, which consisted of KPEP, a professor and an NLB Bank representative.

On February 5, BSCK organized an awards ceremony, where 50 participants received certificates for attending the Entrepreneurship School and the eight top candidates from both municipalities were awarded the BSCK package (loan, free of charge consultation, and assistance for registering the business). Two out of eight received a KPEP grant for 20% of the total loan amount received.

BSCK reported that six out of eight winning participants applied for and received a loan and started/registered their business. As a result of the training program, KPEP contributed to

shrinking the informal economy; five applicants had to register the business in order to apply for the loans.

Out of 6 candidates who received a loan, 4 are for start-ups (or newly registered business- instead of informal businesses). The winning sectors are: Agriculture (3 candidates), Health (1 candidate), and Service (2 candidates).

Greenhouse as business training – in addition to Entrepreneurship training

4th Quarter Progress: No activity

Year 2 Progress: KPEP, in cooperation with Swiss Contact, initiated a three-month training program on “Greenhouse as a Business” to upgrade the skills of five participants from the entrepreneurship training program and 5 other participants who wished to establish a greenhouse. BSCK and the Agriculture school in Pristina implemented the training, which was finalized the first week of May. Six out of ten training participants received certificates of completion and started their greenhouses

2. Entrepreneurship -- SMME expansion support

4th Quarter Progress: KPEP announced a sole-source RFP to the Business Support Center in Kosovo (BSCK) to continue with the second phase of the Entrepreneurship training program targeting 10 municipalities with at least 30 students each. The project will be implemented during Year 3.

Year 2 Progress: Prior to initiating the entrepreneurship SMME expansion training, KPEP interviewed 45 participants from the Entrepreneurship Training Program. Results indicated that all respondents were satisfied with the training, considering it to be valuable know-how on starting a business and improving their existing business and/or advancing their careers. All respondents indicated that KPEP should continue training programs of this nature; 42 out of 45 candidates prepared business plans as a result of the entrepreneurship training, and of these, 18 applied for loans. Six received a loan from NLB (5) and ProCredit (1). The two candidates with the best business plans received a KPEP grant valued at 20% of the received loan. Of the six candidates, three are in the agriculture sector, one is in the health sector, and two are from

the service sector (Kindergarten and Silversmith). KPEP is considering continuing the Entrepreneurship Training Program in Q1 of Year 3.

3. Start-up Weekend in Pristina

4th Quarter Progress: No activity

Year 2 Progress: KPEP co-funded ECIKS' *Start-up Weekend in Pristina*, trained 58 students (32 men and 26 women) on management, interpersonal skills and preparation of new business ventures. The 58 candidates were divided into seven groups that presented feasible business ideas to a committee comprised of international and local businessmen and experts. The business ideas were primarily focused on the agricultural and service sectors.

4. Business Case Challenge (BCC) 2010 in ICT Product Development

Of the 26 University of Pristina and American University students, 15 were selected to participate in the BCC competition to develop a business idea/plan in ICT product development. Students received training on presentation skills and career coaching. They received four additional trainings related to the competing discipline and subsequently developed and presented their business ideas/plans in ICT product development. The business plans and student presentations were evaluated by a committee comprised of an IT expert, a Business Plan Expert, a KPEP WfD Specialist and an MDA representative. The business ideas included: an e-library; Automatic Control Systems/PLC; KosovoTrade.com (information system for imp/exp); and Internet marketing and e-commerce. Winners included three students from Group C, who developed a plan to establish a company that will provide Automatic Control Systems/PLC.

Six students participated at the Balkan Case Challenge in Vienna in July; two received internships and one received a full time employment position.

Benchmarks

Youth Entrepreneurship

- Program successfully launched in first quarter (ACHIEVED)
- Curriculum modules reviewed and approved (ACHIEVED)

- 50 youth successfully recruited and engaged (ACHIEVED)
- 40 youth with completed business plans (ACHIEVED - 42 business plans were completed, while 28 were presented to the business plan evaluation committee)
- 30 or more business plans are successfully matched with micro-finance resources (NOT ACHIEVED – only 5 business plans successfully matched financial resource, 3 others awarded candidates were not interested in a loan).
- 25 small businesses still operating at end of the first year (NOT ACHIEVED, 5 businesses still are operating. The contractor indicated that the targets were too ambitious considering the level of the economic development in Kosovo).
- 50 new jobs are created (NOT ACHIEVED, 15 new jobs were created. The contractor indicated that the targets were too ambitious considering the level of Kosovo's economic development).
- 10 firms expand and are offered financing for expansion (**NOT ACHIEVED** because the target is not realistic for the Kosovo environment).

SMME Enterprise Expansion Support

- 25 small firms are targeted for expansion and agree to participate in Phase 2 entrepreneurial training (NOT ACHIEVED because the project was postponed to Year 3).
- 15 firms finish training (NOT ACHIEVED because the project was postponed to Year 3).
- 10 firms receive expansion capital (NOT ACHIEVED because the project was postponed to Year 3).
- 50 new jobs created within 1 year (NOT ACHIEVED because the project was postponed to Year 3).

Progress

Progress on this objective was good considering the level of economic development in Kosovo. The implementing partner considered the project results to be excellent, albeit it considered KPEP's targets overly ambitious.

Performance Based Management System (PBMS)

Summary

During the fiscal year 2010, KPEP-supported firms achieved significant growth in sales, investment, and full time jobs. The Year 2 target increase in sales was set at €20.1 million. Cumulative Life of the Project (LOP) increase in sales is €41.8 million, which means that we have already exceeded the target for year two. In fact this figure exceeds also the Year Three target that was set at €40.1 million. The main contributors for the increase in sales are the construction sector with 51.1%, agriculture with 25.8% and wood processing with 16.6%, while tourism sector contributed with 2.0%, ICT sector with 2.7%, and BSPs sector with 1.8%. During the last quarter alone there was an increase in sales of €5.2 million. Main contributors to this increase during the last quarter were enterprises in agriculture sector.

Progress to Date Highlights			
	Y2 Target	Y2 Actual	Performance Evaluation
Increase in sales ² , million €	20.1	41.8	↑
Increase in investment, million €	8.0	15.3	↑
Increase in exports, million €	-	21.3	↑
Increase in number of full time jobs ³	2,018	1,664	↓
Number of enterprises assisted in KPEP database	85	66	↓
Number of business services providers (BSPs)	30	15	↓
Number of people trained	1,400	4,183	↑

² This figure combines sales increase in targeted sectors and BSPs.

³ This figure combines FTE jobs increase in targeted sectors and BSPs.

Cumulative LOP investment growth is €15.3 million, already exceeding the Year 2 target of €8 million. The main contributors for the increase in investment are construction sector with 74.6%, agriculture with 11.8% and wood processing sector with 11.6%. ICT and transactional sectors (tourism, recycling and metal processing) contributed 2%.

During the last quarter alone there was an increase in investment of €1.0 million in all sectors.

KPEP-assisted companies have added 1,664 full time equivalent (FTE) jobs since the beginning of the project. While we are still below our Year 2 target increase of 2,018 FTE jobs, this is a very good result given the seasonal nature of our major sectors (agriculture and construction) and the ongoing effects of the global economic downturn. The KPEP sectors and components account for this as follows: agriculture sector with 38.5%, the construction sector with 37.6%, wood processing with 10.7%, tourism sector with 5.3%, BSPs with 4.4% and ICT with 3.4%.

During the last quarter alone, there was an increase of 477 FTE jobs in all sectors.

Cumulative LOP data for exports show an increase over the baseline of €21.3 million. The exports/imports coverage ratio for KPEP supported sectors is at 65.8%. The Kosovo-wide data show a 12.8% exports/imports coverage ratio for the period from October 2009 to August 2010, the last month that data was available. The main contributors for the increase in exports at KPEP enterprises are construction sector with 50.2% and agriculture with 47.2%.

Below is the performance of KPEP sectors and sub-sectors for the LOP on the key indicators: sales, exports, jobs and investment.

Sector	Sub-sector	Increase in Sales	Increase in Exports	Increase in FTE Jobs	Increase in Investment
Agriculture		10,758,190	10,039,677	641.03	1,793,144
	Dairy	6,803,621	735,259	170.68	792,439
	Fr.s and vegetables	5,032,372	3,882,644	149.17	382,305
	Non wood for. prod.	(1,192,016)	5,421,774	240.36	618,400
	Poul. meat process	114,213	-	80.82	-
Construction		21,323,145	10,674,731	626.13	11,377,944
	Construct. Materials	3,070,885	24,671	226.73	4,981,732

	Road Construction	18,252,260	10,650,060	399.40	6,396,212
ICT		1,130,056	35,000	57.19	114,306
	ICT	1,130,056	35,000	57.19	114,306
Metal Processing		-	-	-	15,000
	Metal Processing	-	-	-	15,000
Recycling		19,259	8,151	0.68	1,200
	Recycling	19,259	8,151	0.68	1,200
Tourism		829,828	194,449	87.77	185,690
	Tourism	829,828	194,449	87.77	185,690
Forestry and Wood Processing		6,943,125	307,556	177.50	1,768,972
	Wood Processing	6,883,168	307,556	168.28	1,560,972
	Forestry	59,957	-	9.22	208,000
Business service providers		752,302	-	73.94	-
	BSPs	752,302	-	73.94	-
Grand Total		41,755,905	21,259,564	1,664.24	15,256,256

The distribution of the total number of enterprises by sector is as follows: agriculture sector with 21 enterprises, construction sector with 17 enterprises, wood processing with 11 enterprises, tourism sector with 10 enterprises, ICT with 5 enterprises and recycling sector with 2 enterprises. There are 15 business service providers in the client database of the component two. Six new companies were added during the last quarter, four in forestry and two in construction materials sub-sector.

To date, a total of 4,183 people were trained since the start of the project, of which 3,535 were males and 648 females. Below is given the number of people trained disaggregated by the type of the training for the LOP:

- 2,188 people participated in KPEP supported presentations
- 909 attended trainings,

- 36 participated in the twinning partner training program
- 133 participated in roundtables,
- 656 participated in different workshops,
- 224 participated in conferences organized or supported by KPEP, and
- 7 individuals participated in study trips.
- 30 participated in B2B events organized or supported by KPEP.

During this quarter alone 227 people were trained, of which 203 were male and 24 female.

Contextual Indicators:

The table below provides with data comparison for KPEP supported sectors, with data for Kosovo, other regions and for the world.

Indicator	KPEP	Kosovo	Central and South East Europe & CIS	Developed Economies and EU	World
Sales/GDP Growth ⁴	37.3%	4.8%	1.8%	1.3%	3.1%
Trade/Export Growth ⁵	1,401%	207%	N/A	2.0%	2.5%
Foreign Direct Investment ⁶	-	18.2%	-46% q1	-46% q1	-44% q1
Unemployment Rate ⁷	N/A	45.4%	9.4-10.8%	8.3-8.5%	6.3-6.9%
Employment Growth ⁸	69%	1.1%	-2.5--1.8%	-2.6--2.4%	0.3-1.0%

⁴ Source: IMF, World Economic Outlook, April 2010, data are 2010 estimates; Tax Administration of Kosovo, September 2010; Central Bank of Kosovo, June 2010; KPEP data

⁵ Source: IMF, World Economic Outlook, April 2010, data are 2010 estimates; Statistical Office of Kosovo, September 2010; KPEP data

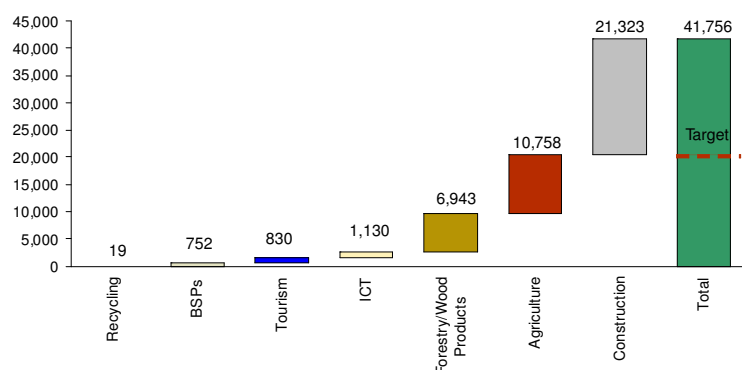
⁶ Source: UNCTAD, World Investment Report, 2009; Central Bank of Kosovo, June 2010; KPEP data

⁷ Source: ILO, Global Employment Trends Update, January 2010; Ministry of Labor and Social Welfare, December 2009; KPEP data

⁸ Source: ILO, Global Employment Trends Update, January 2010; Ministry of Labor and Social Welfare, September 2010; KPEP data

1. Sales

The total increase in sales reached €41.8 million, both in enterprises under component one (agriculture, construction, forestry and wood products, ICT and tourism sector) and BSPs, under



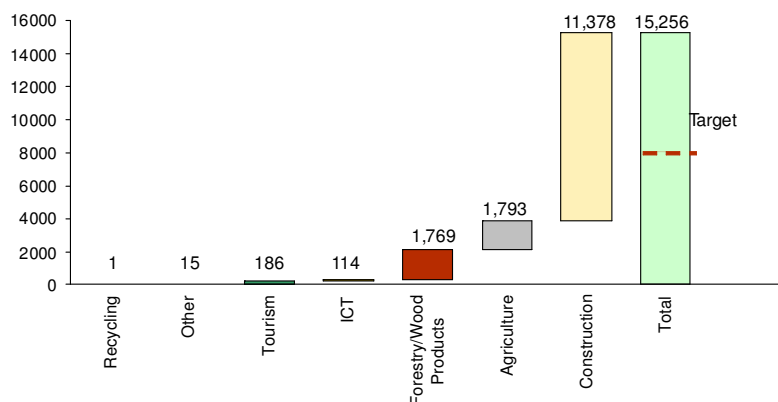
component two. So, after two years of operations, KPEP has achieved a 37.3% growth in sales. This is a very positive development considering the global recession. The construction and agriculture sectors are the main contributors to the sales growth.

The main contributors to this increase are two companies Eurokos, one of the leading construction companies and Lesna, wood processing company, together making almost 35% of the total value of the increase in sales. Other main contributors are: Abi, Lin Projekt, Pestova, Eskavatori, Papenburg & Adriani, Bejta Commerce, Devolli, Eurofood, Graniti, KAG Asphalt and Cacctus, each of them having more than 1 million increases in sales.

The main contributors to this increase are two companies

2. Investment

The total value of investments reached €15.3 million, thus exceeding the Year 2 target of €8 million. The construction sector continues to drive the investment growth among KPEP firms

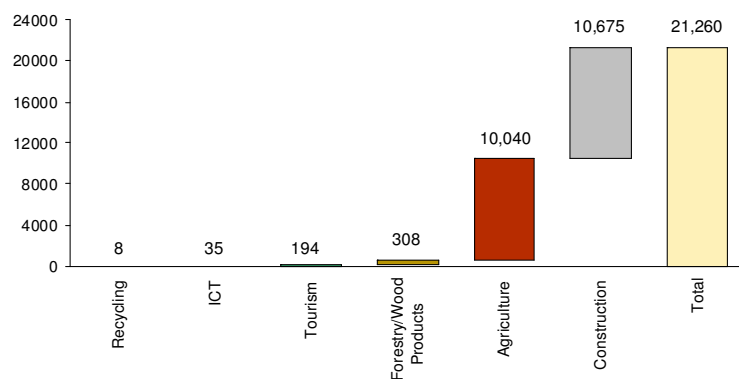


representing 74.6% of the project's total reported increase in investment. From the list of top ten investing companies, nine are construction firms, and one is a wood processing company. In total, 51 companies out of 66 KPEP

client enterprises made investment since the KPEP project started. Investment in top ten companies represents 76% of the total value of the project's investment increase. Six construction companies invested more than €1 million each: Eskavatori, Renelual Tahiri, Lin Projekt, Fitorja, Papenburg & Adriani and Graniti. These companies mainly invested in new equipment. The total value of investment was made in the domestic market.

3. Exports

The increase in exports to date for the LOP is €21.3 million. The construction sector is still the main contributor to export growth, accounting for 50.2% of KPEP enterprises. However, during this quarter, companies in the agriculture sector exported more than €2.4 million, thus increasing their share to the overall increase in exports of KPEP companies, now having almost 47.2% of the contribution to the overall increase in exports.



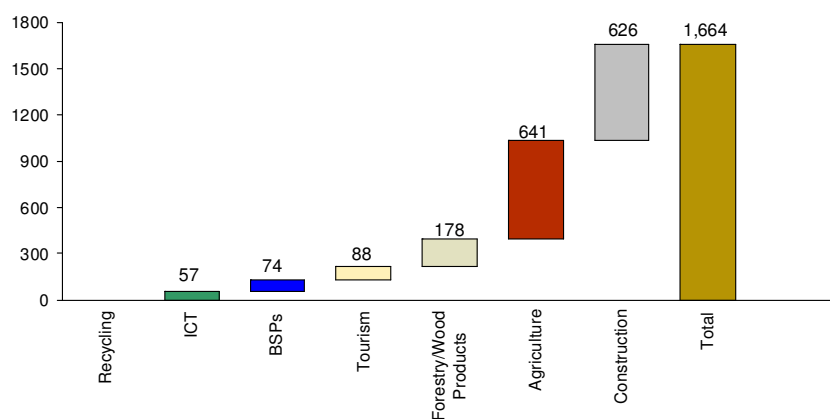
During the last quarter, total value of exports of KPEP supported enterprises in all targeted sectors were € 2,755,700 while imports were €4,311,328. This provides for an export/import coverage ratio of 63.0% for this quarter. The export/import coverage ratio for the LOP in KPEP sectors is 65.8%. The exports for this period were €22,777,145 while imports were

€34,638,336. The main exporting companies during the two year period, from the beginning of the KPEP project are Eurokos, KAG Asphalt, Pestova, Hit- Flores, Eurofruti and Agroprodukt Commerce.

4. Full Time Jobs

The total LOP increase in FTE jobs is 1,664, of which 1,590 were created in enterprises of

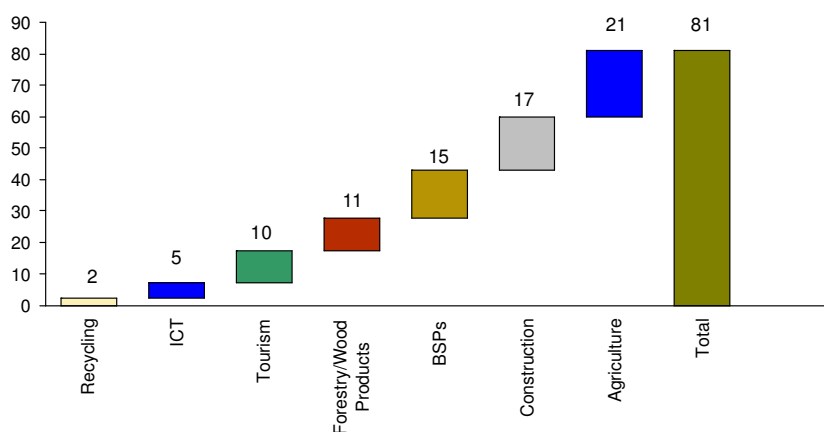
component one and 74 in the business service providers of component two. During the last quarter, 461 new FTE jobs were created in enterprises that operate under component one sectors, and 16 new FTE jobs in component two. The share of the agriculture sector to the LOP increase in



FTE jobs is 38.5%, construction sector has 37.6% share, wood processing and forestry 10.7%, tourism, 5.3%, BSPs, 4.4%, and ICT, 3.4%. The main contributors to this increase are the companies in the construction sector: Bejta Commerce, Eurokos, Lin Projekt and Eskavatori, Konisoni poultry meat processing company, Etlinger, vegetable processing company, and dairy processor Devolli, each of them having more than 50 FTE jobs increase to date.

BSPs achieved an increase of 74 FTE jobs, a figure that is more than double of the LOP target of 36 FTE jobs for this area.

5. Number of Enterprises Assisted



The KPEP client database includes 66 enterprises in component one and 15 enterprises (BSPs) in component two, as of the end of the fiscal year two. These are companies that KPEP has assisted and that have agreed to share

their performance data with KPEP (The reach of KPEP in the private sector is much wider than this. KPEP's activities reach approximately 500 companies). In this quarter, six new enterprises were added to the PBMS, four in the forestry sub-sector and two in the construction materials sub-sector. From 66 enterprises in the component one, 21 enterprises belong to the agriculture sector, 17 are construction enterprises, and 11 enterprises are in the forestry and wood processing sector, five enterprises are in ICT, ten enterprises belong to the tourism sector, and two to the recycling sector.

6. Transactional data

Since the start of the project, KPEP supported enterprises in different sectors to carry out various transactions. Below are listed some of the transactions facilitated and supported by KPEP:

- KPEP supported the export of potatoes, fresh and processed peppers, cabbage, melons and watermelons in the total value of €1,120,800. The destination market of the Kosovo products was mainly regional (Albania, Macedonia), EU countries (Germany) and Switzerland.
- During the Hanover Ligna Fair, wood processing companies acquired equipment at a value of €820,720. The total investment by non-KPEP companies was €485,000.
- As a result of contacts made during the trade fair AlbRelax in Albania, wood processing companies contracted €381,834 in sales. From this value of sales, non-KPEP clients generated €166,500 in sales; all were exports to Albania.
- Seven wood processing companies, which attended the Budva Trade Show in Montenegro, generated €21,300 in export sales.
- During the Natyra 2010 Fair, the sales that were completed amounted to €140,000. Negotiated transactions of sales were up to €800,000.
- During the Travel Day Fair 2010, KOTAS members generated sales of €2,000, while as a result of the impact made by this fair; sales reported for the period May-June were in the amount of €195,000.

Below is the total value of transactions supported by KPEP for the LOP to date by sector:

Sector	Sales	Exports	FTE Jobs	Investment
Agriculture	1,261,800	1,120,800	-	-
Construction	600,000 ⁹	100,000	5	200,000
ICT	15,000	15,000	-	-
Recycling	6,750	6,750	-	-
Tourism	577,712	21,300	57	-
Forestry and Wood Processing	492,680	-	-	485,000
Metal processing	6,750	6,750	-	15,000
Grand Total	2,953,942	1,263,850	62	700,000

Although direct KPEP clients comprise 66 enterprises in different sectors, the KPEP program supports many other companies, which are not officially in the PBMS system. KPEP supports specific transactions (for example, exports of peppers, potatoes, and purchase of equipment as a result of participation in a KPEP supported trade fair, etc).

7. Micro-enterprises

USAID's economic growth programs in Kosovo are aimed at value chain improvements through greater competitiveness of firms, and their products and services.

Micro-enterprises have been an important beneficiary of the USG assistance program. Sectors where competitiveness requires product standardization at the producer level, such as dairy programs, have significant results on micro-enterprises. Mission support has focused on

⁹ Road construction contract for company Vellezerit e Bashkuar, also €100,000 is for the road that company worked in Albania.

assistance to sectors where a significant number of micro enterprises participate in the value chain, including organizations in agriculture, tourism, ICT and wood products. The mission also supported micro-enterprise development in addressing cross cutting issues in workforce development, business enabling environment, and business support services.

Examples of KPEP's activities in support of micro-enterprises include:

- **Attendance of agricultural fair** and visits to vegetable variety trials in Antalya, Turkey. Three local agronomists, a seed distributor from Mamush/Mamusha and a representative of the seed trader Kelmendi attended the event. It was agreed that new varieties, which will have a three-time higher yield than traditional varieties, would be introduced in Kosovo this season.
- **Assistance with HACCP and organic certification.** Introduction of HACCP will help micro-enterprises to enter into regional and EU markets.
- Facilitate the development of **value chain efficiencies in collection management and satellite collection centers.** By strengthening the collection centers the quantity and diversity of products gathered will increase while at the same time quality will improve. This has direct impact on micro-enterprises that actually do collection. The Request for Applications for the provision of cold storage facilities was such an example.
- **New product development in dairy processing.** KPEP, with students from AUK conducted a dairy retail audit to determine the categories where imports are sold and Kosovo is not competing. This includes all types of cheese, dairy desserts and cultured products.
- Providing assistance to establish **HACCP and organic certification.** KPEP assists firms to access new markets. To enter these markets, a HACCP certification is a basic requirement. KPEP anticipates that four companies will be certified by the end of year International Study Tour in Best Practices. KPEP and World Learning sent a group of 7 firms -'experience providers'- to attend a training program in Bulgaria and Austria on tourism packages
- **Marketing and promotion of tourism offers** to selected groups. The Catalog of Tourism offers has proven to be very popular, so KPEP ordered reprints. It is anticipated that twenty 20 businesses and related organizations will significantly increase revenues as a result of the catalog.

- **Entrepreneurship training.** The training is beneficial to the participants since it provides them with skills and knowledge to start-up a new business or to improve the existing one. Main focus is on micro-enterprises.
- **On-line tourism marketing portal.** KPEP has commissioned the development of a tourism portal, called “Kosovo Guide” which features the offers of the experience providers that KPERP works with, as well as upcoming events and more generally information about the hospitality business in Kosovo, hotels, restaurants, attractions, information about the region etc. The main users of this portal will be micro-enterprises and SMEs.

8. Trade Capacity Building

In Year 2, the Project has continued to work toward implementing plans initiated earlier to create a new “culture of trade” at the advisory level of the GoK.

With assistance and funding from World Learning, KPEP took nine GoK and two Chamber of Commerce representatives to Geneva for a week of intensive capacity building in trade policy best practices and practical approaches to participation in the Central European Free Trade Agreement and future accession to the World Trade Organization. As a result of the study tour, the GoK has developed its first inter-ministerial trade council.

This intensive study trip was designed to maximize the GoK’s capacity for meaningful participation in the regional trading community, both from a policy perspective and from a bottom-up business perspective. The rationale for the week of lectures, meetings, and dialogue sessions is described below:

Low government capacity and understanding of regional trade policies and practices is hindering Kosovo’s ability to trade competitively. Roughly 10% of Kosovo’s trade is in the form of exports. Of these imports, the vast majority consists of consumer goods and building materials rather than inputs into value added manufacturing or agricultural processes. One major reason for this imbalance is the unstable trade relationship between Kosovo and its neighbors. Rather than finding efficient solutions to problems arising under CEFTA, the Government of Kosovo persists in creating even more barriers to entry for regional producers. This results in nothing more than higher potential for a trade war that Kosovo cannot win.

Key government officials responsible for aspects of regional trade policy and regulation will return with a much clearer understanding of Kosovo's rights and responsibilities regarding regional trade. They will therefore be better positioned to promote and defend Kosovo's interests and meet Kosovo's obligations in ways that make all the regional partners happy, which in the longer term will contribute to improved economic conditions. In addition, a deeper understanding of these issues will help prepare the GoK to enter the process of WTO Accession.

Specifically, the program was designed to build capacity among the participants to:

- Describe the details and importance to Kosovo of CEFTA and other regional trade policies and practices;
- Articulate current trade challenges and potential solutions in the framework of regional policies and practices;
- Articulate the role of trade policy and law as a facilitator of trade rather than as an obstacle;
- Articulate the principles of how to develop a sound trade policy;
- Begin to discuss policy implementation plans; and
- Begin to develop efficient legal and policy resolutions to problems (rather than political solutions).

KPEP also continues to work on an analysis and best practices guide in the complex area of VAT reimbursement on imports that go into the manufacturing process of products to be re-exported. A comprehensive presentation outlining Kosovo's official and de facto procedure for VAT reimbursement on imported inputs that are re-exported was followed via coordination with local and international tax experts in advocating for changing the rules at the GoK level. When the final rules are promulgated, the KPEP presentation will be used to train the private sector in proper procedures.

KPEP's Agribusiness Climate, Legal and Institutional Reform Diagnostic were approved this year. A roundtable discussion of findings, recommendations, and several projects suggested by the assessment included several recommendations on cross border trade that will undoubtedly have a long-term positive effect on reform and development assistance. These included the development of a Customs Enquiry Point and a regional pricing benchmark system to determine

whether unfair trade practices are common.

Additional trade capacity building work includes a number of demand driven activities that seek to facilitate trade directly.

Support continues with key Kosovo industries to export to the EU, more fully participate in regional trade through established agreements, and reduce the massive trade imbalance. USG assistance supported exports of Kosovo products, including processed agricultural products such as pickled peppers, niche products such as wild mushrooms, blueberries, UHT milk, and cream with peppers, and processed wood and non wood products.

Modern quality standards were a significant focus of assistance as a necessary step to prepare firms in Kosovo to be able to export. USG funds supported a food processor in Kosovo to achieve Hazard Analysis Critical Control Points (HACCP) certification. To date, five companies are certified. KPEP continues to work with local producers to obtain HACCP and organic certification. We assisted the Kosovo Veterinary and Food Agency to develop dairy product specification standards to be included in the overall food regulatory food hygiene package. Steps were taken to achieve preconditions for forest certification in order to increase the competitiveness of Kosovo's wood products. KPEP also works with road construction companies and building materials firms to help them improve product quality and to obtain certifications. In the ICT sector, KPEP is supporting training programs where ICT professionals can obtain internationally recognized certifications. We have also initiated a program that will offer PMP (project management) certification in Kosovo.

Activities facilitated trade linkages for Kosovo products. The USG supported Kosovo's second Marketing and Linkages Conference, which brought together producers, processors and retailers. A grant to a business will improve post-harvest handling of fruits and vegetables (e.g., grading/sizing/packing and cold storage facilities), enabling them to increase exports. KPEP facilitated trade show participation in a wood processing fair in Albania in this past quarter, as well as exports of peppers, potatoes, and UHT milk to Macedonia, Montenegro, Albania, and Serbia. The net results were a very healthy jump in exports for KPEP assisted firms in this quarter: €1.1 million and €17 million over the life of the project.

Support Dairy Policy Development

During this quarter there were no trade related activities for the livestock sector, but KPEP organized a policy training program in the U.S. via the Cochran fellowship program.

In August, a group of five candidates from MAFRD and the dairy association attended the agriculture program, supported by the USDA Cochran Fellowship Program. The focus of the program was on U.S. Agriculture policy, dairy industry, veterinary regulations and domestic and trade policies. The objective of the program was to provide participants with an understanding of agricultural & trade policy in the United States. The training included the history of agricultural policy in U.S., the process by which it is formed and the role of farmer lobbying groups, state government and federal government in its formation. Special emphasis was placed on policies pertaining to the dairy industry, livestock health, and domestic and trade policies. The training program allowed the group to gain new knowledge and practical experiences in agriculture policy. KPEP raised awareness among participants to apply the lessons learned to formulate and implement appropriate policies that are fully consistent with existing trade agreements and WTO regulations.

Wood Processing

With KPEP support, Kosovawood signed a one-year contract with Paas Products for a total amount of €500,000. Paas Products placed an initial small order of 10 high value tables and considered the product to be quite satisfactory. Elnor secured an initial order of 50 chairs, with additional projected orders in the amount of €100,000, also with Paas Products

Natyra: 46 wood processing companies exhibited at the Natyra 2010 wood processing fair June 10 – 13 in Pristina. For the second consecutive year, KPEP provided financial support to AWPK to organize the show, however, at a lower cost share than last year. Clients reported approximately €200,000 in furniture and equipment sales as a result of the event

Fruit and Vegetable

During this period, the Perdrini farmers association linked with regional pepper processing companies and exported 1900 Mt of peppers valued at €418,000. The following companies participated: Fruti, Sejega, Hit Flores, RAFI, Ekomeduza and Pashtriku. Another line of export

was organized through the following companies: V-Kelmendi, Etlinger and Edona S.a.r.l for 1450 Mt of fresh and processed peppers valued at €435,000.

Total export sales for the Rahovec/Orahovac region for this quarter (including watermelon, cabbage and other vegetables) exceeds €1 million.

9. Minorities

KPEP has a mandate to support the activities of minorities in KPEP's selected sectors and component work. The task order requires KPEP to *"incorporate minority groups into activities with firms, associations, business services and workforce activities."*

KPEP is cognizant of the importance of minority inclusion to Kosov's economy and takes this mandate very seriously. By the end of Year 2, KPEP had opened a "satellite office" in North Mitrovica (housed within an NGO office) and hired two Minority Liasons, one from North Mitrovica and one from Gracanica. This resource ensures we can address USAID's needs promptly and effectively as we move into Year 3.

During the second year, KPEP supported minorities across all sectors and components:

Agribusiness

- **Wild Collection Practices Training:** KPEP trained over 500 collectors of NWFPs in good wild collection practices. 219 participants were of minority origin. The three largest minority firms in this sector are As Promet, Scardus, and Hit Flores.
- **Organic NWFP sales:** KPEP achieved its Euros 6 million sales target of organic certified NWFP in 2010, thanks to the strong demand in Germany. The Gorani firm Hit Flores from Dragash/Dragas, and the Serbian-owned firms As Promet from Leposaviq/Leposavic, and Scardus from Shterpce/Strpce were among the beneficiaries of this trend, selling junipers and frozen blueberries.
- **Establishment of Non-Wood Forest Collection Centers:** KPEP supported the purchase and installation of five out of eleven cold storage facilities for non wood forest collection centers in minority areas, including in the North of Kosovo.
- **Satellite Collection Centers:** Among the nine satellite collection centers established with the help of KPEP, three are minority-owned: Eco Galic in Socanica, in the Leposaviq/Leposavic municipality (Serbian); Eko Sani in Prizren (Bosnian), and Flores in

Dragash/Dragas (Gorani).

- The company Lazareks from the village Prekovce in the Novo Brdo municipality received a grant fund in the amount of €4.800 for the **improvement of its NWFP collection center** through a cost share arrangement.
- **Blueberry Field Demonstrations:** KPEP contracted MD consulting to plan and conduct high bush blueberry field research in five locations. These included Shterpce/Strpce, Gnjilane/Gjilan, Dragash/Dragas, and Leposaviq/Leposavic.
- **Annual Wild Blueberry Conference:** KPEP organized the annual wild blueberry conference in July of this year. The 50 participants included several representatives from the minority collection community.
- **Applications for HACCP certifications:** KPEP assisted five companies in Year 2 to complete the application process for HACCP certification. The company Scardu from Shterpce/Strpce was among the five.
- **Improved Dairy Product Quality:** Through KPEP's support to Magic Ice, some 30 Serbian farmers from surrounding villages indirectly received assistance, since Magic Ice was able to expand its collection in the area and purchase milk from these farmers. About 15% of Magic Ice's milk comes from Serbian farmers.
- **Vegetable Processing:** KPEP supported the Widows Association from Krusha e Madhe with a grant to purchase vegetable processing and cold storage equipment. Another microenterprise company "Grate Farmere" of 30 widows, also from Krusha e Madhe, recently registered, approached KPEP for support with increasing their pepper processing capacities.

Forestry / Wood Processing

- **Forest Certification:** A minority community member, **Sasa Vukadinovic**, is represented on the nine member' Forestry Standards Development Group, the group which is developing the standards that are a part of the effort to certification of Kosovo's forests from the Forestry Stewardship Council.
- **Biomass:** KPEP supported the company Leshak to set up production for a biomass processing and briquette production line.

Construction materials

- **Assisting building materials manufacturers to become more competitive in the market:** Many of KPEP BMM clients employ minorities. Ecocolor has two minority employees, Brick Company Brickos in Kamenice (support application in process) about 30 (mainly Serb) minority employees, which represents about 50 % of total employees.

Tourism

- The KPEP Tourism team supports minorities in Brezovica, Novo Brdo and Rahovec. Experience providers from these regions participated in the KPEP supported travel day fair, catalog of tourism offers, portal, organized tours and other marketing assistance: Hotel Ljuboteni and Restaurant Majestic (Brezovica), B&B Dragan Markovic family (Rural Tourism Novo Brdo) and the Bozhidar Petroviq wine producing family (Rahovec).

Business Support Services

- **Minority Women Association participates in Agriculture Trade Show:** KPEP has helped the minority women's association Ruka Ruci to participate in the agricultural trade show in Novi Sad. 30 women members of the association went to the fair and sold handicrafts and food products in the value of Euros 20,000, which is a sizable sale for this association.
- **Services Recipients:** Of the total of 9,078 beneficiaries that were provided with services over the life of the project, minority representatives accounted for 141 in Years 1 and 2.

Business Enabling Environment

- **Study tour to Bansko:** Mountain tourism in the Shterpce/Strpce area of Kosovo is one of Kosovo's biggest potential engines for economic growth, yet remains neglected due to political, as well as development issues. KPEP organized and led a study tour for officials/stakeholders relevant to the development of the municipality, particularly regarding its high potential as an all-season resort area. Bansko, Bulgaria, was chosen for several reasons, among them Bansko's tremendous growth in ten years, despite its similarity to Štrpce/Shtërpçë in "starting points" and the striking parallels in topography and climate. The tour took municipal representatives, including the new Mayor, and representatives from the Privatization Agency of Kosovo (PAK), on site visits to ski and golf resorts, and for some very successful visits with municipal counterparts in Bulgaria. The result of the trip was a deeper understanding of the tremendous opportunities that lie ahead for Kosovo, as well as

a new appreciation for the solutions to challenges that will surely arise.

Workforce Development

Trainings: Since the beginning of the project, KPEP has trained 4,183 individuals. Of these, 260 were from minority areas (Year 1 – 34, Year 2 – 226). The types of training that minority representatives participated in were conferences, presentations, round tables, workshops, promotional events, field days, and specific trainings.

Grants:

Of the total amount of grants and subcontracts awarded in Year 2 – Euros 887,520, Euros 53,957 were awarded to minority firms. This represents 6.08% of the total amount awarded this year.

	Company Name	Activity Description	Total budget €	Total budget \$
1	Association of Business Women "Avenija"	Participation at the International fair of entrepreneurship in Belgrade, called as "Business Baza"	€ 2,555.00	\$ 3,821.52
2	Ruka Ruci	Minority Women Association participates in Agriculture Trade Show: support to minority women's association Ruka Ruci to participate in the agricultural trade show in Novi Sad in June 2010.	€ 3,412.00	\$ 4,310.26
3	Eko Galic	Non-Wood Forest Collection Centers: Purchase and installation of five out of eleven cold storage facilities for non wood forest collection centers in minority areas	€ 5,000.00	\$ 6,192.72
4	Ekos-Sani	Non-Wood Forest Collection Centers: Purchase and installation of five out of eleven cold storage facilities for non wood forest collection centers in minority areas	€ 4,990.00	\$ 6,180.33
5	NGO Flores	Non-Wood Forest Collection Centers: Purchase and installation of five out of eleven cold storage facilities for non wood forest collection centers in minority areas	€ 5,000.00	\$ 6,192.72
6	MV Lesak	Wood Chip Drying: technical assistance to MV Lesak, a minority owned wood processing firm, on wood chip drying.	€ 33,000.00	\$ 42,280.59
		Total	€ 53,957.00	\$ 68,978.14

In the coming year, KPEP plans to significantly step up its activities to support the minority community in Kosovo, with a special emphasis on the North, to foster the creation of new private enterprise and to new jobs.

10. Women

KPEP places special emphasis on the inclusion and support of women through its activities and programs.

The task order asks of KPEP to include *“men and women in all aspects of the program, including participation in association, stakeholder meetings, and other activities during program implementation.”* KPEP should make efforts to *“ensure that both genders participate in activities with firms, associations, business services, and workforce activities.”*

During Its second year of implementation, KPEP has continued to foster the inclusion of women into its programs.

- As of September 30, 2010, KPEP clients employ 257 women, out of a total of 1,365 employees, or 19%.
- The number of women trained through KPEP programs is 648 (not including trade fair participation) out of 4,183, or 15.5%. (223 women in Year 1, 425 in Year 2). These initiatives included conferences, B2Bs, workshops, roundtables, partner training, field days, presentations, and others.
- The number of women that obtained employment through KPEP-initiated training programs, such as internships is 69, out of a total number of 135, or 51%.
- The number of women provided with services (excluding training) is 429 out of total 995, or 43%.
- 122 women participated in KPEP’s internship programs, out of 236 individuals total, or 52%. (6 women in Year 1, 116 in Year 2).

Agriculture:

- **Wild Collection Practices Training:** KPEP trained over 500 collectors of NWFPs in good wild collection practices. 81 participants were women,
- **Widow’s Association receives technical assistance:** KPEP provided continued support to the Widow’s Association in Krusha e Madhe through consultation and assistance. This association includes 65 women who are widows. KPEP helped develop a floor plan that would be HACCP-certifiable for their vegetable processing plant. We are working on developing a business model for them that will allow them to operate sustainably financially.

- **Mushroom Exports:** NWFP collectors and processors As Promet and EuroFruit, who have been exporting mushrooms to the German market, are employing a considerable number of women as seasonal workers.
- **Dairy Product Improvement:** KPEP purchased a milk quality tester (lactoscan) for the Widows' Association from Korenica, who is managing a milk collection center, which enables them to test for milk quality on the spot.
- **Pepper Trials:** Las Pallmas a seedling nursery, for which KPEP provided seeds for a pepper test plot, has recently employed 6 women from the Roma community.

Construction Materials

- **Professional development trainings seminars:** In Year 2, KPEP successfully organized four continuous professional development trainings for architects, engineers and other design industry stakeholders. These activities were organized in order to assist the Kosovo industry to adopt and integrate international best practices in regular business processes to make certain procedures smooth and successful. The average number of participants was 50 participants per day. Around 20 % of participants were women.
- **MESP Working Group on establishing the system for professional licensing of architects and engineers:** Two women are members of the working group.

Tourism

- **KPEP Tourism Fairs Help Women of Krusha e Madhe Sell Their Products** *"Attendance in trade fairs, like the USAID-supported Travel Day Fair and Pejë/Peć Tourism Street Fair has really helped us to reach people with our products. Apart from selling large quantities of pickles and ajvar, the consumers know where to find us for more."* said Pranvera Spahiu, Coordinator of SHGV Krusha. *"This means a lot for the 164 women, who provide for families of about 4 persons each"* added Ms. Spahiu.
- **Pejë/Peć Street Fair:** At the KPEP-supported Pejë/Peć Tourism Street fair, women at the booth of Shoqata e Grave të Veja Krusha (Association of Widowed Women from Krusha) generated immediate sales of €6,024.
- **Support for women from Deçan.** KPEP client NGO Jeta, who has 52 women members, participated in the KPEP supported travel the Pejë/Peć Tourism Street Fair, the tourism promotion in Albania, the catalog of tourism offers, portal, organized tours and other marketing initiatives supported by KPEP.

Business Support Services

- **Support to Business Associations:** KPEP works closely with the ICT and Wood Processing Associations, which are headed by women. We have provided governance training to the associations, as well as support for the provision of value added services, including trainings, and trade show participations.
- **Minority Women Association participates in Agriculture Trade Show:** KPEP has helped the minority women's association Ruka Ruci to participate in the agricultural trade show in Novi Sad in June. 30 women members of the association went to the fair and sold handicrafts and food products in the value of € 20,000, which is a sizable sale for this association.
- **KPEP helps women business owners become more successful:** KPEP has supported several women consultants through trainings and direct consulting engagements. From March until late August, fourteen Kosovo women business owners received training and mentoring for five months from an International Business consultant and two local consultants. The program focused on evaluation of the strengths and weaknesses of the women's business and options to increase success by improving sales, expanding to additional markets, increasing profitability and developing greater insight about their finances, additionally, the program aimed to improve consulting skills of the local business consultants.

Workforce Development

- **Women Entrepreneurs:** Out of the 50 participants who completed the KPEP-sponsored entrepreneurship training in early 2010, 13 were women. The program foresaw that 8 trainees with the best business plans would be able to apply for a favorable loan scheme, benefit from a free consultation and business registration service and benefit from 2 KPEP grants matching 20% of the total loan amount received. Kaltrina Mujaj, a 21 year old businesswomen from Gllogovc/Glogovac, is one of 8 best candidates. She has since opened the first private kindergarten in her hometown, and employed 3 other women.
- **Accounting and Financial Training:** Out of the 103 participants who completed the first KPEP supported accounting and finance training and internship program 71 were women. Out of the 59 that found employment, 38 are women.
- **Trainings, Life of Project:** Since the beginning of the project, KPEP has trained 4,183 individuals. Of these, 684 were women.

- **Internships, Life of Project:** To date, KPEP has organized 13 internship programs. Of the 236 interns that participated, 122 were women and 114 men.

Grants:

Of the total amount of grants and subcontracts awarded in Year 2 – Euros 887,520, Euros 249,780.60, or 28.14% were awarded to associations headed by women

	Type of Award	Company Name	Woman Included Name/Position	Description of the activity	Total budget €	Total budget \$
1	Sub-contract	Kosovo Association of Information and Communication Technology (STIKK)	Vjollca Çavolli Executive Director	ICT Job Fair	□ 4,690.00	\$ 7,035.00
2	Grant	Women Association "Korenica"	Hatixhe Binaku Head of Association	Supply with a Lactosan	□ 850.00	\$ 1,263.78
3	Grant	Association of Business Women "Avenija"	Gordana Djoric President of the Association	Participation at the International fair of entrepreneurship in Belgrade, called as "Business Baza"	□ 2,555.00	\$ 3,821.52
4	Sub-contract	Kosovo Association of Information and Communication Technology (STIKK)	Vjollca Çavolli Executive Director	Organisation of E-Marketing Seminar for Tourism	□ 3,386.50	\$ 5,110.22
5	Grant	Association of Wood Processors of Kosovo (AWPK)	Arieta Vula Pozhegu Executive Director	AWPK participation in "34th Furniture Fair - Home, Office & Interior Decoration Equipment"	□ 15,000.00	\$ 21,489.97
6	Sub-contract	Association of Wood	Arieta Vula Pozhegu	Wood Processing	□ 17,223.00	\$ 23,458.19

		Processors of Kosovo (AWPK)	Executive Director	Internship Program		
7	Grant	Kosovo Tourism Association KOTAS	Alije Berisha Executive Director	Organizing Kosovo Travel Day Fair 2010 / "Stay the Weekend - Experience Kosovo"	□ 8,575.00	\$ 11,425.72
8	Sub-contract	Kosovo Association of Information and Communication Technology (STIKK)	Vjollca Çavolli Executive Director	Organization of CRM training for ICT companies and Associations	□ 4,741.60	\$ 6,354.33
9	Sub-contract	Kosovo Association of Information and Communication Technology (STIKK)	Vjollca Çavolli Executive Director	Business Process Outsourcing (BPO) Workshop/ Conference	□ 2,095.00	\$ 2,846.08
10	Grant	Association of Wood Processors of Kosovo (AWPK)	Arieta Vula Pozhegu Executive Director	Support AWPK visit to major 2010 wood processing events/ fairs	□ 53,800.00	\$ 72,108.30
11	Grant	Ruka Ruci	Snežana Stanojević	Fair Participation	□ 3,412.00	\$ 4,310.26
12	Grant	Kosovo Association of Information and Communication Technology (STIKK)	Vjollca Çavolli Executive Director	Participation of the association in ICT Fair - CeBIT 2010	□ 6,792.50	\$ 8,407.60
13	Grant	Kosovo Association of Information and Communication Technology (STIKK)	Vjollca Çavolli Executive Director	Technical support to develop and launch new online member services	□ 7,800.00	\$ 9,654.66
14	Grant	Kosovo Bankers Associations (KBA)	Diturie Hoxha Executive Director	European Foundation Certification in Banking	□ 109,460.00	\$ 140,351.33

15	Sub-contract	Association of Wood Processors of Kosovo (AWPK)	Arieta Vula Pozhegu Executive Director	Wood Industry Job Fair	□ 5,600.00	\$ 7,124.68
16	Grant	NGO Bliri	Mahije Smajli Executive Director	Set up proper manufacturing operations and sales practices-developing marketing and promotional tools (web, catalogue and business cards) and participation in Tirana wood fair	□ 3,800.00	\$ 5,183.47
				Total	€ 249,780.6	\$ 329,945.11

KPEP will continue to support and emphasize the inclusion of women into its activities with the goal to create more jobs for women and to increase their participation in business and the economy overall.

11. PBMS Methodology

The Performance Based Management System (PBMS) monitors progress against program targets, facilitates reporting of the results attributable to KPEP efforts and provides data for reporting to USAID. It identifies successful enterprise, sector and industry clients, interventions and consultants and allows the team to compare projected results to actual results on a monthly, quarterly, semi-annual and annual basis. The baseline and targets are set for all indicators for the life of the project (LOP).

- Data collection

The KPEP specialists worked with the client enterprises to establish baseline data. Initial baseline data is recorded for the period just prior to implementation of activities that contribute to achievement of results, enabling comparison when measuring progress toward a specific result or objective. The baseline provides a snapshot of a performance indicator as a point of reference.

For enterprises, baseline data includes jobs, sales, production, investments, foreign direct investment and partnerships. The KPEP specialists are responsible for data collection from enterprises. The PBMS Specialist reviewed the information received and performed quality control. After that, the PBMS specialist entered the data into the project's database. The reports produced from the access database and excel spreadsheets are used for inclusion in quarterly reports to USAID.

- Quality of the data

The sector specialists are responsible for the first-level data quality control. The quality checks have been made to ensure that data collected and included in the database are accurate and reliable. Every single transaction entered in the database was double checked for accuracy.

- Data verification

The PBMS specialist conducts site visits and interviews with representatives from the client enterprises and organizational partners to verify the results that have been reported. In addition to verification of the accuracy and consistency of the results reported, the PBMS specialist also will determine whether the results were caused by the KPEP intervention and thus attributable to the project.

- Status of the Indicators

The status of Project Indicators is set out in the Annex 1 entitled *Report on Indicators*. This Annex gives the status of all indicators from the PMP.

Attribution: The KPEP Attribution Process is a method for assigning results more specifically to KPEP interventions. In the past, KPEP (and KCBS before it) has captured the quarterly revenue, investment, and job data from our client partners and reported it exactly as it is received regardless of the level of assistance provided to that firm. We will continue to report data in this manner. The KPEP Attribution Process will help capture transaction level data and will assign a percentage of quarterly revenue that KPEP can reasonably be responsible for and accountable for. This process will also help calculate a Return on Investment for Component 1 work, enabling management to compare results versus cost across sectors. This exercise will add valuable insight into the effectiveness of our interventions in specific sectors and can inform out future investment decisions.

The steps are as follows:

1. Collect transactional data on an ongoing basis from both KPEP and non-KPEP firms

2. Collect quarterly data from KPEP firms as usual
3. Subtract transactional data from quarterly data for KPEP client firms
4. Assign an attribution percentage (based on guidelines below) to the remaining client sales based on KPEP activities and support. This percentage should be assigned based on activities, regular formal evaluations by the clients as well as informal discussions with the client firms
5. Meet as a team inclusive of USAID and outside perspective to debate and defend assigned percentages, come to consensus and consistency across sectors, and discuss problem areas (cases when sales when down relative to the baseline for example)
6. Report both gross numbers and attributable numbers to USAID
7. Use attributable numbers to calculate rough ROI for internal management purposes

Scoring: Sector specialists will assign a ranking for each company in each quarter based on what percentage of the firm's quarterly sales, investment or jobs created KPEP can reasonably take credit for. Scores will be assigned in quartiles 0, 25, 50, 75, or 100%.

Scoring Criteria	
0%	No support was given to the firm in this quarter (includes technical assistance, grants, training, or any activities listed above)
25%	1 medium level activity, or 1-2 low impact activities performed with the client firm having a result on sales, investment or jobs
50%	1 to 2 high level impact activity or 3 or more medium level impact activities (or a combination of low, medium, and high level impact activities)
75%	3 or more high level impact activities (or a combination of activities that includes 2 or more high level and 3 or more medium level activities)
100%	An intensive combination of all levels of activities with a single firm. A 100% ranking should be reserved for only those firms who have received extensive support throughout the reporting period.

Scoring Guidelines: List of generic activities with low, medium, and high-level impact rankings with respect to sales, investment, and job creation for client firms. These activities are to be viewed as guidelines and Sector Specialists may describe other activities not categorized below in supporting the ranking they assign a client firm.

High Impact	Medium Impact	Low Impact
<ul style="list-style-type: none"> • Buyer meetings/introductions • Buyer – Seller negotiations • New product development • Investor materials/presentations • Internships • Agriculture aggregation • Transport and logistics • Other –describe 	<ul style="list-style-type: none"> • Marketing campaigns • Marketing support • Packaging and branding support • Market research • Advisory services • Study tours • Partnership facilitation • Storage facility construction • Management support • Training • Agronomy/productivity support • Certification training • Certification preparation support • Standards preparation • Other –describe 	<ul style="list-style-type: none"> • Trade fairs • Conferences • Agriculture demonstration plots • Feasibility studies • National strategies • Export plans • Other – describe

Following are the results on the attribution regarding four main indicators: sales, jobs, exports and investment. The attribution data should be regarded as preliminary as we have not yet had our peer reviews to calibrate attribution estimates across each sector.

1. KPEP attribution on sales

1.1. Total KPEP

Total Annual Sales KPEP Firms		€ 15,500,206
Total KPEP Attributable Sales		€ 6,214,276
Attribution %		40%

Total Annual Sales Non-KPEP Firms		€ 1,008,126
Total Non-KPEP Attributable Sales		€ 1,008,126
Attribution %		100%

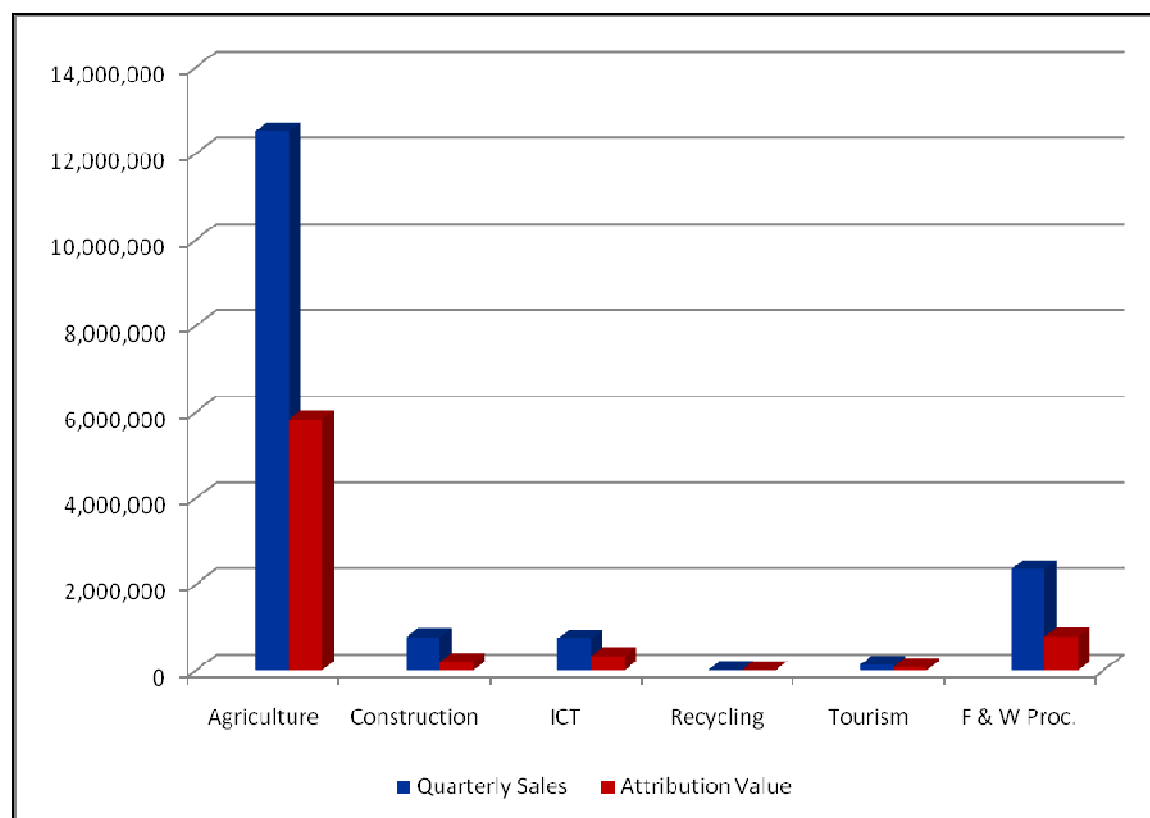
Total Sales		€ 16,508,332
Total KPEP Attributable Sales		€ 7,222,402
Total Attribution %		44%

1.2. By sub-sector

Sector	Sub-sector	Quarterly data	Attribution value	Percentage of attribution
Agriculture		12,509,869	5,826,910	46.6%
	Dairy	4,790,492	2,424,946.75	50.6%
	Fruits and vegetables	5,703,213	2,864,507	50.2%
	Non wood forest products	1,882,500	470,625.00	25.0%
	Poultry meat processing	133,664	66,832.00	50.0%
Construction		775,695	193,924	25.0%
	Construction Materials	775,695	193,924	25.0%
	Road Construction	-	-	-
ICT		735,786	327,927	44.6%
	ICT	735,786	327,927	44.6%
Recycling		13,615	6,808	50.0%

	Recycling	13,615	6,808	50.0%
Tourism		126,129	76,756	60.9%
	Tourism	126,129	76,756	60.9%
Forestry and Wood Processing		2,347,238	790,077	33.7%
	Wood Processing	2,188,791	772,715	35.3%
	Forestry	158,447	17,362	11.0%
Grand Total		16,508,332	7,222,402	43.8%

Of the total value of sales of €16,508,332, KPEP's attribution is €7,222,402 or 43.8% of the total amount of the quarterly sales of the KPEP clients.



2. KPEP attribution on exports

2.1. Total KPEP

Total Exports KPEP Firms		€ 2,755,700
Total KPEP Attributable Exports		€ 855,996
Attribution % for the quarter		31%

Total Quarterly Exports Non-KPEP Firms		€ 913,800
Total Non-KPEP Attributable Exports		€ 913,800
Attribution % for the quarter		100%

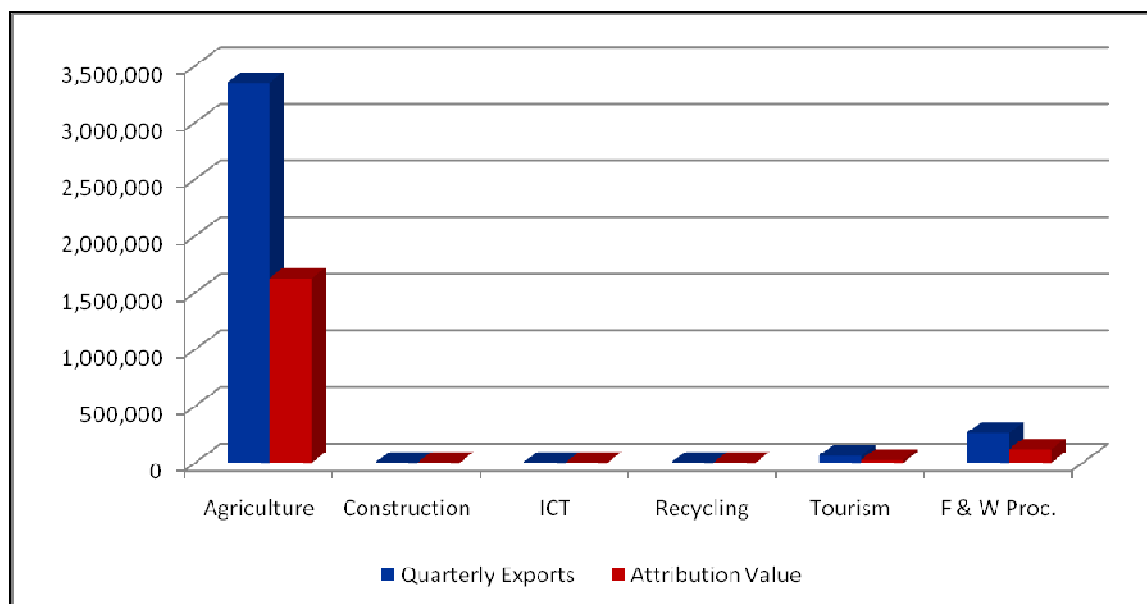
Total Exports		€ 3,669,500
Total KPEP Attributable Exports		€ 1,769,796
Total Quarter Attribution %		48%

2.2. By sub-sector

Sector	Sub-sector	Quarterly data	Attribution value	Percentage of attribution
Agriculture		893,780	396,415	44%
	Dairy	70,259	35,629.5	50.7%
	Fruits and vegetables	1,443,434	1,131,978.0	78.4%
	Non wood forest products	1,835,500	458,875.0	25.0%
	Poultry meat processing	-	-	0.0%
Construction		-	-	0.0%
	Construction Materials	-	-	0.0%
	Road Construction	-	-	0.0%
ICT		-	-	0.0%
	ICT	-	-	0.0%
Recycling		-	-	0.0%
	Recycling	-	-	0.0%

Tourism		60,433	25,073.3	41.5%
	Tourism	60,433	25,073.3	41.5%
Forestry and Wood Processing		259,874	118,240.0	45.5%
	Wood Processing	259,874	118,240.0	45.5%
	Forestry	-	-	0.0%
Grand Total		3,669,500	1,769,796	48.2%

Of the total value of exports of €3,669,500, KPEP's attribution is €1,769,796 or 48.2% of the total amount of the quarterly export sales of the KPEP clients.



3. KPEP attribution on investment

3.1. Total KPEP

Total Quarterly Investment KPEP Firms		€ 1,039,169
Total KPEP Attributable Investment		€ 346,257
Attribution % for the quarter		33%

Total Quarterly Investment Non-KPEP Firms		€ 0
Total Non-KPEP Attributable Investment		€ 0
Attribution % for the quarter		0%

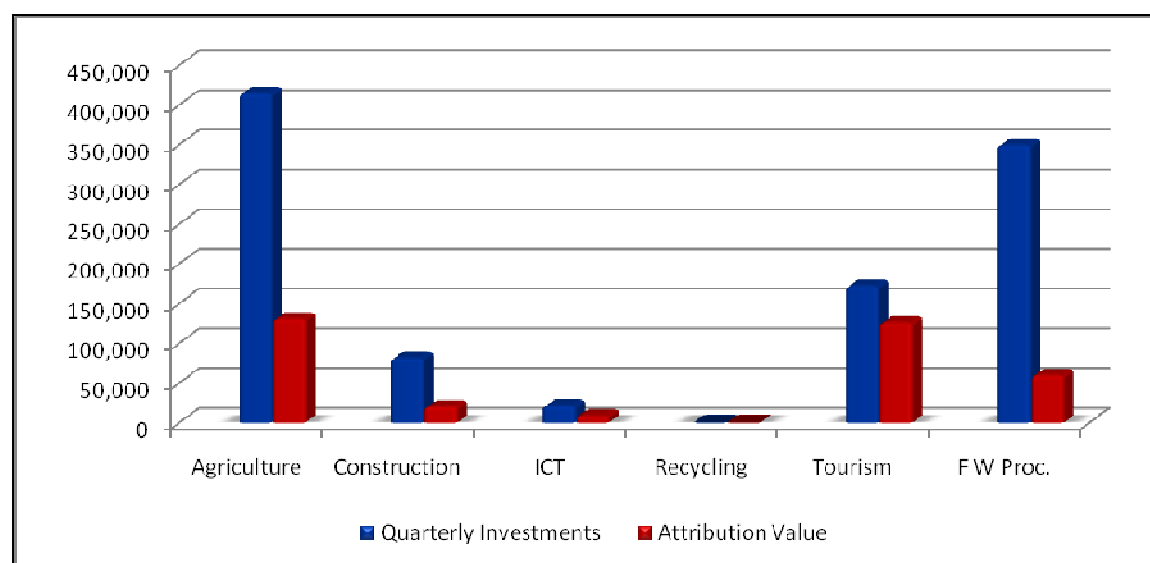
Total Investment		€ 1,039,169
Total KPEP Attributable Investment		€ 346,257
Total Quarter Attribution %		33%

3.2. By sub-sector

Sector	Sub-sector	Quarterly data	Attribution value	Percentage of attribution
Agriculture		414,660	131,080	31.6%
	Dairy	64,660	43,580	67.4%
	Fruits and vegetables	28,000	7,000	25.0%
	Non wood forest products	322,000	80,500	25.0%
	Poultry meat processing	-	-	-
Construction		81,500	20,375	25.0%
	Construction Materials	81,500	20,375	25.0%
	Road Construction	-	-	0.0%
ICT		21,305	8,786	41.2%
	ICT	21,305	8,786	41.2%
Recycling		-	-	-
	Recycling	-	-	-

Tourism		172,040	126,250	73.4%
	Tourism	172,040	126,250	73.4%
Forestry and Wood Processing		349,664	59,766	17.1%
	Wood Processing	141,664	57,766	40.8%
	Forestry	208,000	2,000	1.0%
Grand Total		1,039,169	346,257	33.3%

Of the total value of investments of €1,039,169 KPEP's attribution is €346,257 or 33.3% of the total amount of the quarterly investments of the KPEP clients.



4. KPEP attribution on employment

4.1. Total KPEP

Total Quarterly FTE KPEP Firms		452.02
Total KPEP Attributable FTE		183.88
Attribution % for the quarter		41%

Total Quarterly FTE Non-KPEP Firms		43.03
Total Non-KPEP Attributable FTE		43.03
Attribution % for the quarter		100%

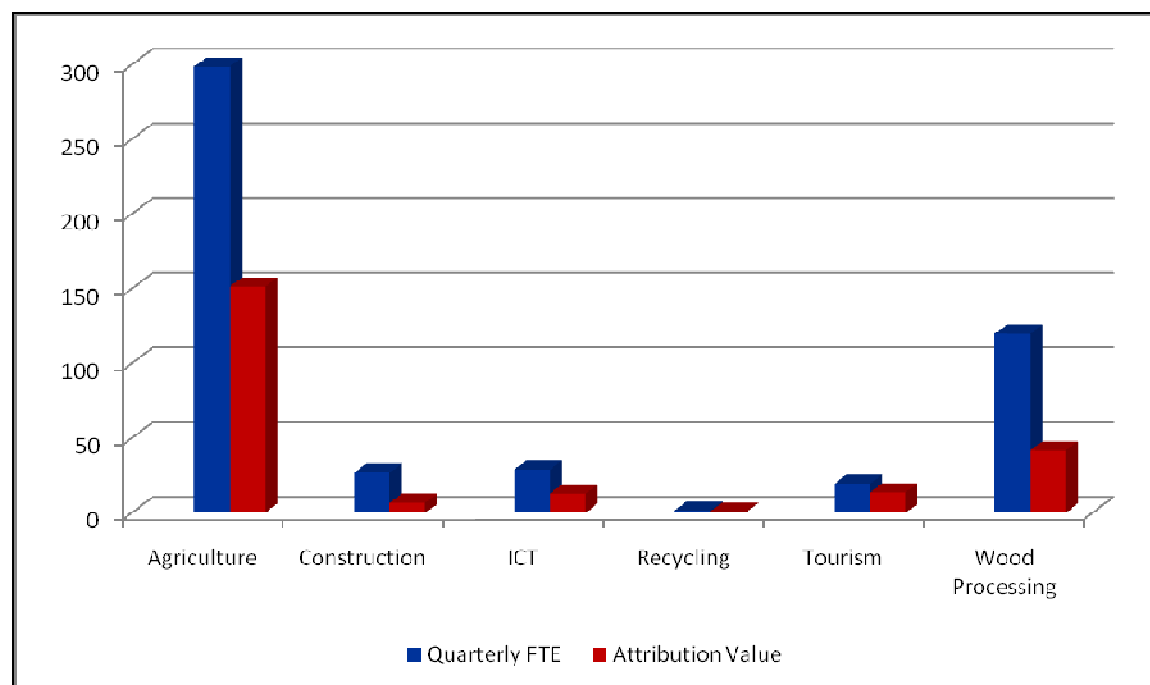
Total FTE		495.05
Total KPEP Attributable FTE		226.91
Total Quarter Attribution %		46%

4.2. By sub-sector

Sector	Sub-sector	Quarterly data	Attribution value	Percentage of attribution
Agriculture		298.60	151.38	50.7%
	Dairy	63.41	34.63	54.6%
	Fruits and vegetables	147.64	88.05	59.6%
	Non wood forest products	60.30	15.08	25.0%
	Poultry meat processing	27.24	13.62	50.0%
Construction		26.79	6.70	25.0%
	Construction Materials	26.79	6.70	25.0%
	Road Construction	-	-	0.0%
ICT		28.81	12.76	44.3%
	ICT	28.81	12.76	44.3%
Recycling		1.54	0.77	50.0%

	Recycling	1.54	0.77	50.0%
Tourism		19.52	13.65	69.9%
	Tourism	19.52	13.65	69.9%
Forestry and Wood Processing		119.78	41.65	34.8%
	Wood Processing	105.31	39.32	37.3%
	Forestry	14.47	2.33	16.1%
Grand Total		495.05	226.91	45.8%

Of the total number of 495.05 FTE jobs created during this quarter, KPEP's attribution is 226.91 FTE jobs, or 45.8% of the total amount of the quarterly FTE jobs of the KPEP clients.



12. Multipliers

Using multipliers to estimate total economic impact or the employment impact of direct sales and growth of a particular industry is a common economic tool. There are numerous methodologies and academic studies used to develop, calculate and detail multipliers for particular sectors in specific economies. However, the process for developing a multiplier for specific sectors in Kosovo would be potentially costly and the data may not be available or accurate. Instead, we collected multipliers on KPEP sectors from a wide range of sources and extrapolated multipliers we could use on an anecdotal basis.

One important tool that is widely used to evaluate economic development impacts is the *economic impact analysis*. Economic impact analyses measure the potential impact of economic decisions by business, government, and consumers on an economy.

An economic impact analysis is based on the concept of the *multiplier*. The multiplier is the relationship between some change in an economy and the succeeding economic activity that occurs as a result of that change. Consider the location of a new automobile parts manufacturer. Initial projections of the impact of the firm would likely include estimates of the number of new jobs and the income earned by the new workers. This is called the *direct effect*, which is an initial change in the economy.

But there are other effects as well. It is likely that the new plant will require inputs of goods and services from other local businesses. These purchases generate new jobs and income in those allied industries. These spin-off activities are referred to as *indirect effects*. In addition, the new workers in the parts plant and the employees in the supporting industries spend a portion of their income locally to meet household needs, and this spending creates new jobs and income. The jobs and spending created as a result of these activities are called the *induced effect*.

The sum of the direct, indirect, and induced effects is the *total effect*. The process of job creation and income generation continues so long as some portion of spending remains local. The multiplier is an estimate of how much additional economic activity will result from some new investment in an economy. "Multiplier" is an appropriate term, because the original investment is "multiplied" by the multiplier to obtain the total economic impact

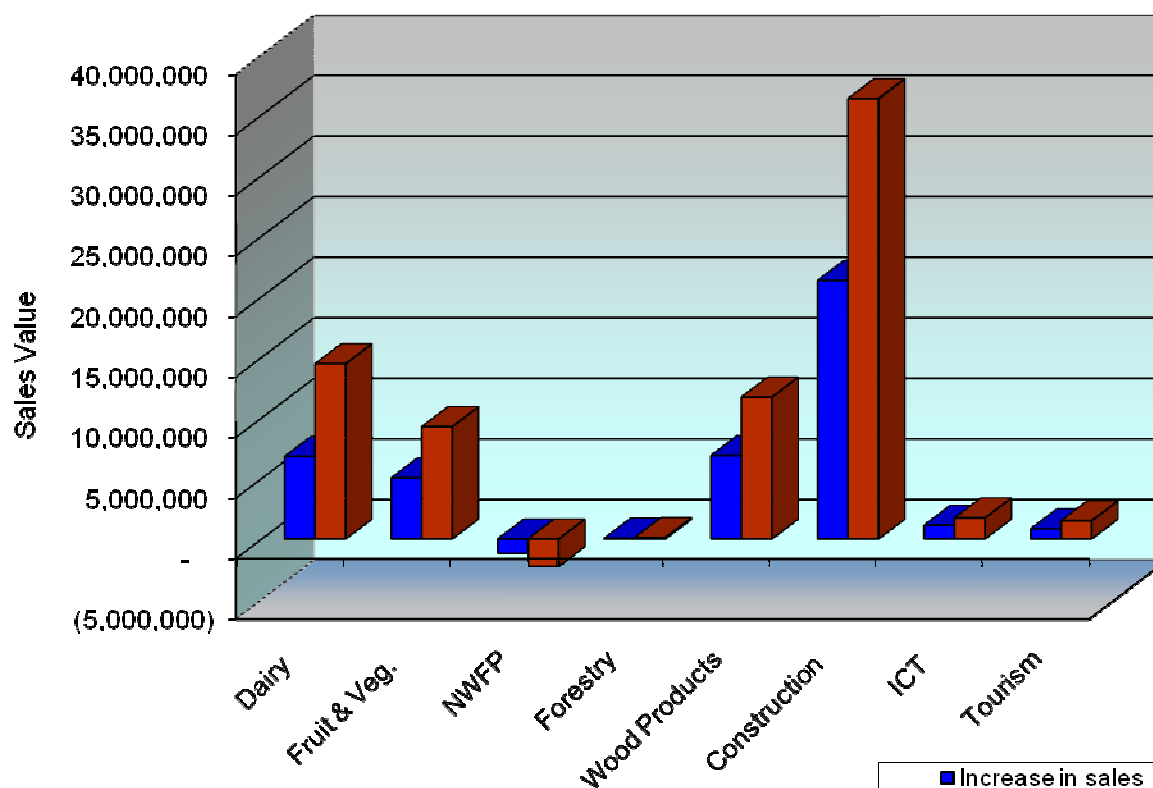
KPEP developed the average multipliers for each KPEP sector. Minor sub-sectors, like metal processing and poultry meat processing are not included in the calculation.

Sector	Economic Impact	Employment
Dairy	2.13	1.84
Fruit and Vegetable	1.84	1.96
Non wood Forest Products	1.90	1.58
Forestry	1.84	1.89
Wood Products	1.70	1.66
Construction	1.70	1.84
ICT	1.54	1.57
Tourism	1.81	1.39

1. Economic Impact

Sector	Increase in sales	Sales Multiplier	Multiplier effect
Dairy	6,803,621	2.13	14,457,695
Fruit & Veg.	5,032,372	1.84	9,259,564
NWFP	(1,192,016)	1.90	(2,264,830)
Forestry	59,957	1.84	110,321
Wood Products	6,883,168	1.70	11,701,386
Construction	21,323,145	1.70	36,340,731
ICT	1,130,056	1.54	1,734,636
Tourism	829,828	1.81	1,501,989
TOTAL	40,870,131		72,841,491

So, the multiplier effect for the total increase in sales for the LOP of €40,870,131 is €72,841,491. In average, for one € increase in sales, another 1.78 € has been generated all the way through the value chain of KPEP targeted sectors.

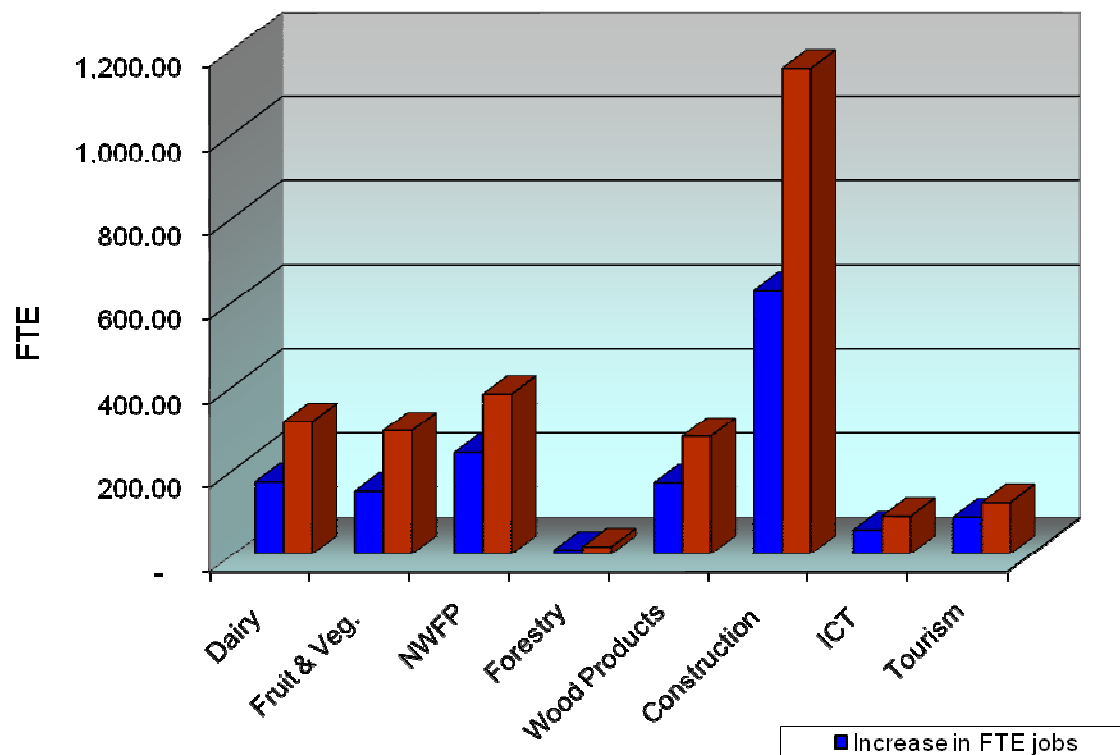


If we use these data and compare with the LOP target on sales, that has been set at €50 million increase, we have already exceeded this target, although we do not have multipliers for all sectors.

2. Employment

Sector	Increase in FTE jobs	Employment Multiplier	Multiplier effect
Dairy	170.68	1.84	314.05
Fruit and Vegetable	149.17	1.96	292.37
Non wood Forest Products	240.36	1.58	379.77
Forestry	9.22	1.89	17.43
Wood Products	168.28	1.66	279.34
Construction	626.13	1.84	1,152.08
ICT	57.19	1.57	89.79
Tourism	87.77	1.39	122.00
TOTAL	1,508.80		2,646.83

The multiplier effect for the total increase in employment for the LOP of 1,509 FTE jobs is 2,647 FTE jobs. In average, for one new FTE job, another 1.75 FTE jobs have been generated all the way through the value chain of KPEP targeted sectors.



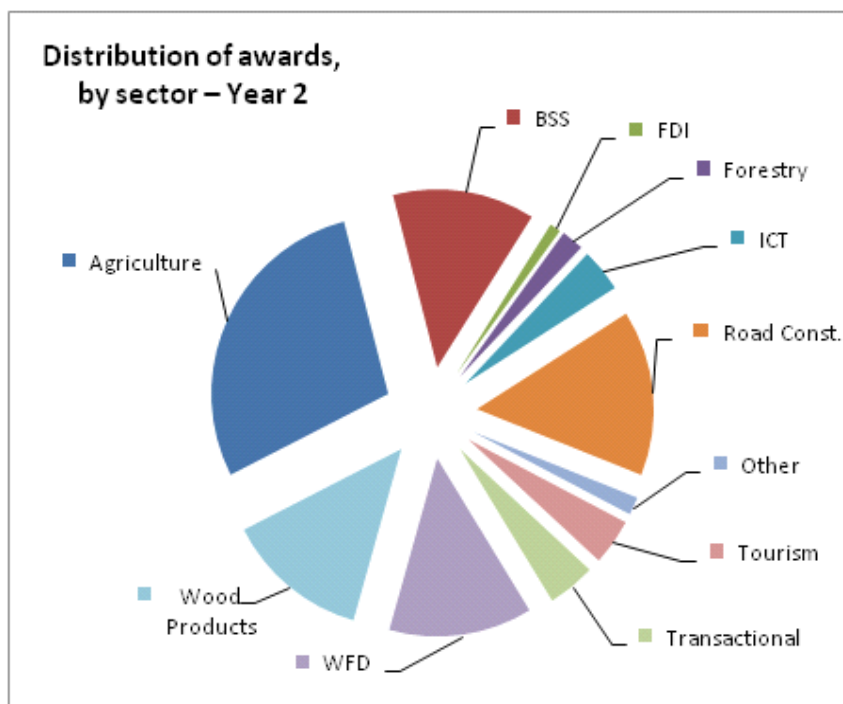
If we use these data and compare with the LOP target on FTE jobs, that has been set at 2,000 new FTE jobs at the end of the FY 2010, we have exceeded this target, although we do not have multipliers for all sectors.

Strategic Activities Fund (SAF)

Outreach: KPEP presented the SAF program at USAID's CEED Kosovo Top Class learning event "Writing Project Proposals for Donor Funds". CEED organized the event for members of their Top Class program on April 28. KPEP also continued its practice of organizing pre-bid meetings, where organizations interested in submitting a proposal are given the chance to learn more about Requests for Proposals (RFPs) and SAF procedural requirements. All solicited RFPs and Requests for Applications (RFAs) were published in local newspapers and on the KPEP website

SAF Review Committee:

The SAF review committee continued its weekly meetings. In this reporting period, SAF organized 44 SAF review committee meetings. Compared to previous annual report, interest from applicants increased slightly. During year two KPEP received 146 concept papers (compared to 141 in year one). Out of these, we approved 57, requested more information from 3 and rejected 86.



Requests for Applications: During this year, KPEP issued three Requests for Applications. In response to the "NWFP Collection Center" KPEP received ten grant applications. KPEP visited all applicants, and subsequently approved them all for grants. In response to the "Non Wood Forest Product Processors - HACCP Introduction and Certification" RFA, KPEP received five grant applications. We visited all five applicants, and signed grant agreements with all of them. KPEP received three applications in response to the "Fruit and Vegetable Collection Centers" RFA, for which we are currently conducting due diligence.

Requests for Expression of Interest: During this year KPEP issued a request for Expressions of Interest “Microfinance Institutions in Kosovo for Developing a Pilot Grant/ Loan Program for Micro-enterprises. KPEP received two proposals and awarded this grant to Beselidhja/ Zavet – BZMF.

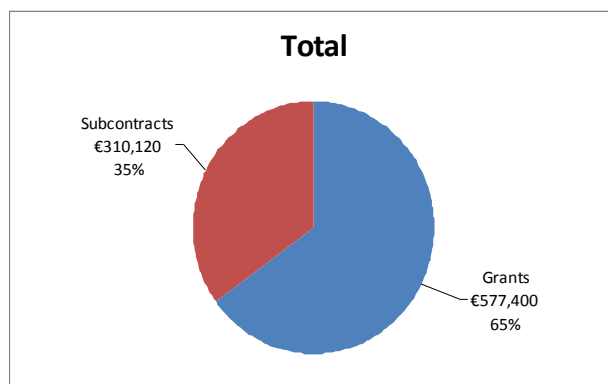
Requests for Proposals: During this reporting period, KPEP issued 29 Requests for Proposals. The advertisements were published in local newspapers, on the KPEP website and in some cases, directly to the vendor as a sole sourced opportunity due to pre-eminent capability or because the project was a follow on to a previous activity.

The 26 subcontracts signed this year had a total value of €310,120.46 (\$422,085.46). KPEP awarded 40 grants in the second year with a total value of €577,400 (\$747,522.46). The total value of subcontracts and grants awarded in this quarter was €887,520.46 (\$1,169,607.92).

The second year grants and subcontracts were awarded to organizations from the following KPEP approved sectors/components: Agriculture (28%), ICT (4%), WFD (13%), Wood Processing (13%), BSS (13%) and Tourism (4%).

Type of Awards		
Type of Award	Approved €	% Distribution
Grants	€577,400.00	65%
Subcontract	€310,120.46	35%
Total	€887,520.46	100%

The cumulative value of KPEP subcontracts is 26 and grants, 40 through the end of this year – September 30, 2010 – equaling €887,520.46 (\$1,169,607.92).



Types of award

Fixed price subcontracts were awarded to the following companies in Year 2:

	Awardees	Short Description of Project	Total
1	Eciks Consulting	FDI Promotion and Generation for Kosovo	€ 5,129.00
2	IQ Consulting	Market Research of ICT Sectors - Supply Demand Survey	€ 9,100.00
3	Kosovo Association of Information and Communication Technology (STIKK)	ICT Job Fair	€ 4,690.00
4	Forestry	Study in Forest Biomass as an Alternative Fuel	€ 11,845.00
5	Kosovo Association of Information and Communication Technology (STIKK)	Organization of E-Marketing Seminar for Tourism	€ 3,386.50
6	UBO Consulting	Business Plan for Widows Association, Krusha e Madhe	€ 2,400.00
7	Management & Development Associates (MDA)	Skill Gap Analysis for Wood Processing Industry	€ 4,810.00
8	Management & Development Associates (MDA)	Catalog of Tourism Offers	€ 7,040.00
9	Business Support Center Kosovo (BSCK)	Green House as a Business	€ 2,640.00
10	Association of Wood Processors of Kosovo (AWPK)	Wood Processing Internship Program	€ 17,223.00
11	Road Construction Association of Kosovo (RCAK)	Construction Internship Program	€ 15,825.00
12	HeviCert, Inc.	Heavy equipment operators training and certification program	€ 100,573.56
13	Initiative for Agricultural Development of Kosovo	Raw Milk Quality Program Management	€ 18,310.00
14	Kosovo Association of	Organization of CRM training for ICT	€ 4,741.60

	Information and Communication Technology (STIKK)	companies and Associations	
15	Koperativa	Documentary Film On Quality of Road Construction and Traffic Safety in Kosovo	€ 16,090.00
16	Management & Development Associates (MDA)	CRM Training - Local Consultant	€ 4,400.00
17	Kosovo Association of Information and Communication Technology (STIKK)	Business Process Outsourcing (BPO) Workshop/ Conference	€ 2,095.00
18	GRIMA CONSULTING	White Beans Demonstration Plots	€ 7,420.00
19	Republika - Marketing Communication Agency	Dairy Promotion	€ 18,850.00
20	Kosovo Tourism Association KOTAS	Organization of Tourism Familiarization Trip for Turkish Delegation	€ 8,514.00
21	Riinvest	Sale and Marketing Training Program	€ 2,000.00
22	Management & Development Associates (MDA)	Tourism Job Fair	€ 4,980.00
23	MD Consulting	Subcontractor to manage blueberry conference and field trials	€ 11,158.80
24	Kosovo Alternative Tourism Association (KATA)	"Stay the weekend - Experience Peja" Tourism Street Fair 2010	€ 9,749.00
25	Association of Wood Processors of Kosovo (AWPK)	Wood Industry Job Fair	€ 5,600.00
26	ISQ Internacional	Accreditation of the KPEP Training Center for Welding Courses"	€ 11,550.00
		Total	€ 310,120.46

Grants were awarded to the following organizations:

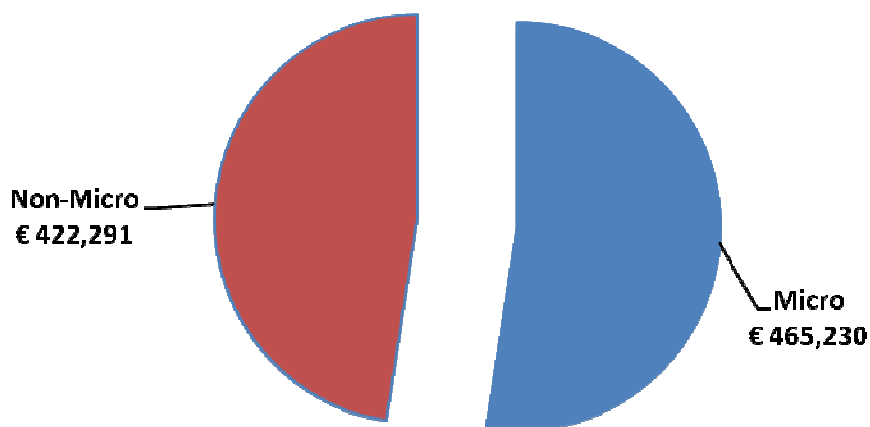
No.	Awardees	Short Description of Project	Total
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1	Women Association "Korenica"	Supply with a Lactosan	€ 850.00
2	Korenica	Engineered Wood Flooring Certification and international product promotion	€ 13,820.00
3	Avenija	Participation in a International Fair of Entrepreneurship in Belgrade	€ 2,555.00
5	Association for Finance and Accounting Services (AFAS)	Training and Internship Program for 25 jobseekers in the field of Accounting and Finance	€ 10,750.00
6	Association of Wood Processors of Kosovo (AWPK)	AWPK participation in "34th Furniture Fair - Home, Office & Interior Decoration Equipment"	€ 15,000.00
7	Agroprodukt Commerce	Creation of new market identity of APC products for retail and export market	€ 16,055.00
8	Kosovo Tourism Association KOTAS	Organizing Kosovo Travel Day Fair 2010 / "Stay the Weekend - Experience Kosovo"	€ 8,575.00
9	Kosovo Chamber of Commerce (KCC)	Turkish Kosovo Business Forum in Istanbul	€ 3,830.00
10	Association for Finance and Accounting Services (AFAS)	Training and Internship Program for 100 jobseekers during the summer season	€ 19,400.00
11	World University Service Austria (WUS)	Kosovo Case Challenge 2010	€ 5,000.00
12	Eciks Consulting	Startup Activity Pristina	€ 3,731.00
13	Road Construction Association of Kosovo (RCAK)	Training and Certification of Heavy Equipment Operators (HEO) with internationally recognized certificates and training programs	€ 16,850.00
14	Magic Ice	Adoption of Hard Cheese Production Line	€ 29,000.00
15	Berati Association	Establishing Collecting and Processing point for NWFP in Boge, Rugove/Rugova	€ 30,000.00
16	Eurofruti	Strengthening system of collection through assistance to Establishing a new processing and packaging facility for NWFP with HACCP requirements	€ 24,000.00
17	Association of Wood Processors of Kosovo (AWPK)	Support AWPK visit to major 2010 wood processing events/ fairs	€ 53,800.00
18	Farmer Association Perdrini	Demonstration of new planting technologies (watermelon, melon, pumpkin, and cucumber)	€ 9,870.00
19	Kabi	Establishing of three milk collection points	€ 8,027.50
20	AmCham	Career Fair	€ 6,750.00

21	Riinvest	Leading Economic Indicators Survey	€ 12,582.00
22	Ruka Ruci	Fair Participation	€ 3,412.00
23	Natyrat Fruti	Non Wood Forest Products Collection Centers	€ 5,000.00
24	Besiana	Non Wood Forest Products Collection Centers	€ 4,900.00
25	Fungo FF	Non Wood Forest Products Collection Centers	€ 5,000.00
26	Fungo KOS	Non Wood Forest Products Collection Centers	€ 5,000.00
27	Agroprodukt Commerce	Non Wood Forest Products Collection Centers	€ 4,980.00
28	Universal Gip	Non Wood Forest Products Collection Centers	€ 5,000.00
29	Eko Galic	Non Wood Forest Products Collection Centers	€ 5,000.00
30	Ekos-Sani	Non Wood Forest Products Collection Centers	€ 4,990.00
31	NGO Flores	Non Wood Forest Products Collection Centers	€ 5,000.00
32	Natyra	Non Wood Forest Products Collection Centers	€ 5,000.00
33	Kosovo Association of Information and Communication Technology (STIKK)	Participation of the association in ICT Fair - CeBIT 2010	€ 6,792.50
34	Kosovo Association of Information and Communication Technology (STIKK)	Technical support to develop and launch new online member services	€ 7,800.00
35	MV-Lesak	Utilization of wood waste and biomass for production of briquettes	€ 33,000.00
36	Hilmi Deva	Implementation of a Marketing Strategy	€ 12,000.00
37	Kosovo Bankers Associations (KBA)	European Foundation Certification in Banking	€ 109,460.00
38	Natural Resources Solution (NRS)	Reduce Illegal Logging	€ 18,320.00
39	Grinteh Sh.P.K.	Establishing sustainable chain for waste plastic (PET, Polyethylene and Polypropylene) in Kosovo	€ 39,000.00
40	NGO Bliri	Set up proper manufacturing operations and sales practices-developing marketing and promotional tools (web, catalog and business cards) and participation in Tirana wood fair	€ 3,800.00
Total			€ 577,400.00

Over half of our awards (52.26%) throughout the duration of the project, support activities that benefit micro-enterprises:

Distribution of Awards by Type of Enterprises		
Enterprise	% of total	€
Non Micro-enterprise	48%	€ 422,291
Micro-enterprise	52.26%	€ 465,230
Total	100.00%	€ 887,520



Distribution of Awards by Type of Enterprises

Awards that benefited micro-enterprises during the last quarter were as follows:

1. Women Association "Korenica" - Supply with a Lactosan
2. UBO Consulting - Business Plan for Widows Association, Krusha e Madhe
3. Management & Development Associates (MDA) - Catalog of Tourism Offers
4. Business Support Center Kosovo (BSCK) - Green House as a Business
5. Agroprodukt Commerce - Creation of new market identity of APC products for retail and export market
6. Initiative for Agricultural Development of Kosovo - Raw Milk Quality Program Management
7. Kosovo Tourism Association KOTAS - Organizing Kosovo Travel Day Fair 2010 / "Stay the Weekend - Experience Kosovo"
8. Association for Finance and Accounting Services (AFAS) - Training and Internship Program for 100 jobseekers during the summer season
9. World University Service Austria (WUS) - Kosovo Case Challenge 2010
10. Eciks Consulting - Startup Activity Pristina
11. GRIMA CONSULTING - White Beans Demonstration Plots
12. Berati Association - Establishing Collecting and Processing point for NWFP in Boge, Rugove/Rugova
13. Eurofruti - Strengthening system of collection through assistance to Establishing a new processing and packaging facility for NWFP with HACCP requirements
14. Farmer Association Perdrini - Demonstration of new planting technologies (watermelon, melon, pumpkin, and cucumber)
15. Ruka Ruci - Fair Participation
16. Kosovo Tourism Association KOTAS - Organization of Tourism Familiarization Trip for Turkish Delegation
17. Natyral Fruti - Non Wood Forest Products Collection Centers
18. Besiana - Non Wood Forest Products Collection Centers
19. Fungo FF - Non Wood Forest Products Collection Centers
20. Fungo KOS - Non Wood Forest Products Collection Centers
21. Agroprodukt Commerce - Non Wood Forest Products Collection Centers
22. Universal Gip - Non Wood Forest Products Collection Centers
23. Eko Galic - Non Wood Forest Products Collection Centers
24. Ekos-Sani - Non Wood Forest Products Collection Centers
25. NGO Flores - Non Wood Forest Products Collection Centers
26. Natyra - Non Wood Forest Products Collection Centers
27. MD Consulting - Subcontractor to manage blueberry conference and field trials
28. MV-Lesak - Utilization of wood waste and biomass for production of briquettes
29. Hilmi Deva - Implementation of a Marketing Strategy
30. Kosovo Alternative Tourism Association (KATA) - "Stay the weekend - Experience Peja" Tourism Street Fair 2010
31. Kosovo Bankers Associations (KBA) - European Foundation Certification in Banking
32. Association of Wood Processors of Kosovo (AWPK) - Wood Industry Job Fair
33. Natural Resources Solution (NRS) - Reduce Illegal Logging

34. Grinteh Sh.P.K - Establishing sustainable chain for waste plastic (PET, Polyethylene and Polypropylene) in Kosovo
35. NGO Bliri - Set up proper manufacturing operations and sales practices-developing marketing and promotional tools (web, catalog and business cards) and participation in Tirana wood fair
36. Finance Institute of Kosova – IFK - The Ninth International Conference of Business and Employment with the Theme "The Impact of Global Crisis on Economy, Business and Employment in Kosovo and in other Countries in Transition"

Environmental Compliance Report

Two Environmental Examinations (IEEs) for KPEP were completed and approved during the second year. In accordance with Regulation 22 CFR 216 Threshold Determination, the IEE aims to ensure that the activities to be implemented under KPEP are environmentally sound.

The IEE requires Booz Allen, as the implementing contractor, to take certain actions: In particular (as specified in the IEE), all sub-agreements under the program must incorporate provisions that the activities to be undertaken comply with the environmental determinations and recommendations of the IEE.

During this year, KPEP supported 66 activities through SAF (see table below). Out of these, 47 activities fall under the category of “Categorical Exclusion” – activities that have no effect on the natural or physical environment, 17 fall under the category “Negative Determination” - activities that have small potential for environmental impact, and 2 fall under the category “Positive Determination” activities, where KPEP conducted a full Environmental Due Diligence (EDD).

No	Organization	Type of ER Checklist			Project Name
		Categ. Exclusion	Negative Determ.	Positive Determ.	
1.	Eciks Consulting	X			FDI Promotion and Generation for Kosovo
2.	IQ Consulting	X			Market Research of ICT Sectors - Supply Demand Survey
3.	Kosovo Association of Information and Communication Technology (STIKK)	X			Kosovo Association of Information and Communication Technology (STIKK)
4.	Forestry	X			Study in Forest Biomass as an Alternative Fuel
5.	Kosovo Association of Information and	X			Organization of E-Marketing Seminar for Tourism

	Communication Technology (STIKK)				
6.	UBO Consulting	X			Business Plan for Widows Association, Krusha e Madhe
7.	Management & Development Associates (MDA)	X			Skill Gap Analysis for Wood Processing Industry
8.	Management & Development Associates (MDA)	X			Catalog of Tourism Offers
9.	Business Support Center Kosovo (BSCK)	X			Green House as a Business
10.	Association of Wood Processors of Kosovo (AWPK)	X			Wood Processing Internship Program
11.	Road Construction Association of Kosovo (RCAK)	X			Construction Internship Program
12.	HeviCert, Inc.	X			Heavy equipment operators training and certification program
13.	Initiative for Agricultural Development of Kosovo	X			Raw Milk Quality Program Management
14.	Kosovo Association of Information and Communication Technology (STIKK)	X			Organization of CRM training for ICT companies and Associations
15.	Koperativa	X			Documentary Film On Quality of Road Construction and Traffic Safety in Kosovo
16.	Management & Development Associates (MDA)	X			CRM Training - Local Consultant
17.	Kosovo Association of Information and Communication Technology (STIKK)	X			Business Process Outsourcing (BPO) Workshop/ Conference
18.	GRIMA CONSULTING		X		White Beans Demonstration Plots
19.	Republika - Marketing Communication Agency	X			Dairy Promotion
20.	Kosovo Tourism Association KOTAS	X			Organization of Tourism Familiarization Trip for Turkish Delegation
21.	Riinvest	X			Sale and Marketing Training Program
22.	Management & Development Associates (MDA)	X			Tourism Job Fair
23.	MD Consulting	X			Subcontractor to manage blueberry conference and field trials
24.	Kosovo Alternative Tourism Association (KATA)	X			"Stay the weekend - Experience Peja" Tourism Street Fair 2010

25.	Association of Wood Processors of Kosovo (AWPK)	X			Wood Industry Job Fair
26.	ISQ Internacional	X			Accreditation of the KPEP Training Center for Welding Courses"
28.	Women Association "Korenica"	X			Supply with a Lactosan
29.	Korenica		X		Engineered Wood Flooring Certification and international product promotion
30.	Association of Business Women "Avenija"	X			Participation at the International fair of entrepreneurship in Belgrade, called as "Business Baza"
31.	Association for Finance and Accounting Services (AFAS)	X			Training and Internship Program for 25 jobseekers in the field of Accounting and Finance
32.	Association of Wood Processors of Kosovo (AWPK)	X			AWPK participation in "34th Furniture Fair - Home, Office & Interior Decoration Equipment"
33.	Agroprodukt Commerce	X			Creation of new market identity of APC products for retail and export market
34.	Kosovo Tourism Association KOTAS	X			Organizing Kosovo Travel Day Fair 2010 / "Stay the Weekend - Experience Kosovo"
35.	Kosovo Chamber of Commerce (KCC)	X			Turkish Kosovo Business Forum in Istanbul
36.	Association for Finance and Accounting Services (AFAS)	X			Training and Internship Program for 100 jobseekers during the summer season
37.	World University Service Austria (WUS)	X			Kosovo Case Challenge 2010
38.	Eciks Consulting	X			Startup Activity Pristina
39.	Road Construction Association of Kosovo (RCAK)	X			Training and Certification of Heavy Equipment Operators (HEO) with internationally recognized certificates and training programs
40.	Magic Ice			X	Adoption of Hard Cheese Production Line
41.	Berati Association		X		Establishing Collecting and Processing point for NWFP in Boge, Rugove/Rugova
42.	Eurofruti		X		Strengthening system of collection through assistance to Establishing a new processing and packaging facility for NWFP with HACCP requirements
43.	Association of Wood Processors of Kosovo (AWPK)	X			Support AWPK visit to major 2010 wood processing events/ fairs
44.	Farmer Association Perdrini		X		Demonstration of new planting technologies (watermelon, melon, pumpkin, and cucumber)
45.	Kabi		X		Establishing of three milk collection points
46.	AmCham	X			Career Fair

47.	Riinvest	X			Leading Economic Indicators Survey
48.	Ruka Ruci	X			Fair Participation
49.	Natyrat Fruti		X		Non Wood Forest Products Collection Centers
50.	Besiana		X		Non Wood Forest Products Collection Centers
51.	Fungo FF		X		Non Wood Forest Products Collection Centers
52.	Fungo KOS		X		Non Wood Forest Products Collection Centers
53.	Agroprodukt Commerce		X		Non Wood Forest Products Collection Centers
54.	Universal Gip		X		Non Wood Forest Products Collection Centers
55.	Eko Galic		X		Non Wood Forest Products Collection Centers
56.	Ekos-Sani		X		Non Wood Forest Products Collection Centers
57.	NGO Flores		X		Non Wood Forest Products Collection Centers
58.	Natyra		X		Non Wood Forest Products Collection Centers
59.	Kosovo Association of Information and Communication Technology (STIKK)	X			Participation of the association in ICT Fair - CeBIT 2010
60.	Kosovo Association of Information and Communication Technology (STIKK)	X			Technical support to develop and launch new online member services
61.	MV-Lesak			X	Utilization of wood waste and biomass for production of briquettes
62.	Hilmi Deva	X			Implementation of a Marketing Strategy
63.	Kosovo Bankers Associations (KBA)	X			European Foundation Certification in Banking
64.	Natural Resources Solution (NRS)	X			Reduce Illegal Logging
65.	Grinteh Sh.P.K.	X			Establishing sustainable chain for waste plastic (PET, Polyethylene and Polypropylene) in Kosovo
66.	NGO Bliri	X			Set up proper manufacturing operations and sales practices-developing marketing and promotional tools (web, catalog and business cards) and participation in Tirana wood fair

Communications

Media Monitoring: KPEP monitors the local press daily, focusing on articles related to KPEP's work or of interest to sector specialists. Local press headlines are distributed to all staff. KPEP follows up on articles of interest via phone calls to journalists and editors and then archives them. Articles are scanned and stored electronically. Media monitoring also covers Kosovo online news agencies, and whenever possible, TV news and TV programs that focus on issues relevant to KPEP's work. A summary of headlines and links to web pages featuring KPEP are emailed to all staff daily. Summaries of articles are prepared upon request.

The UNMIK and OSCE press offices have added KPEP staff to their distribution lists for local and international news clippings and summaries.

KPEP has also created a *Google Alert* system that automatically feeds information specific to KPEP on the Internet. All links are archived.

Media Relations: This area continues to be an important component of KPEP outreach. In order to encourage the media to cover KPEP events, and to ensure that coverage is positive, KPEP has continued to establish new contacts with journalists and editors that mostly cover economic issues. KPEP has maintained professional relations with existing contacts. Contact has been established with owners and managers of municipal Radio and TV stations, namely RTV Mitrovica, TV Tema – Ferizaj/Urosevac, TV Meni – Gnjilane/Gjilan, TV Syri – Gjakova/Djakovica, and TV Prizren. This year, KPEP established key contacts with the editors of Ekonomisti.net, an online economic news agency, and with the editor of the business and economy supplement of Zeri newspaper. Thanks to the professional relationships established to date, media attendance and coverage of all KPEP events has been satisfactory. As a result of the assistance provided to Workforce Development for the promotion of carpentry vocational schools, contacts were established with local radio stations in

Gnjilane/Gjilan, Ferizaj/Urosevac, Mitrovica/Kosovska Mitrovica, Podujevë/Podujevo, Pejë/Peć and Deçan/Dečan. Kosovo tourism promotion in Albania allowed KPEP to establish contacts with the Tirana correspondent of RTK and other local media in Albania. All contact details were entered into the media database.

In this quarter, KPEP issued press releases for the following events: USAID and Minister of MAFRD visit to Koritnik forest management unit on July 29; exhibition of Kosovo wood

processing companies in the Albrelex furniture fair in Tirana, Albania September 30 – October 3; and the Pejë/Peć Street Fair on September 26.

KPEP prepared and distributed press kits and event folders containing general KPEP information and specific information on KPEP sectors, press releases, presentations, and contact information at all events. Additional events included the signing of the MoU with the Ministry of Transport and Post-Telecommunication and the Tourism Job Fair.

Media Coverage: This quarter, KPEP has continued to monitor Kosovo's eight daily newspapers, which published stories on KPEP activities and KPEP related work. Newspaper reporters have attended KPEP events open to the media, and have used information disseminated by KPEP through press releases. Newspapers reported more extensively on tourism, agriculture, wood processing and workforce development related activities. KPEP was directly mentioned 19 times.

Success Stories: Successful events and achievements, including photographs, were captured immediately. KPEP submitted two stories to the USAID e-newsletter: *USAID-Trained Entrepreneur Manages First Privately Owned Day Care Center* on September 3, and *USAID Assistance Boosts Pepper Production in Kosovo* on October 4. To date, KPEP has built a rich archive of stories and a picture gallery. KPEP continued to produce a monthly report highlighting major achievements and success stories.

Field Trips: The Communications Specialist assisted sector specialists to prepare scene setters and talking points for various KPEP events and field trips. The Communication Specialist accompanied sector specialists on their visits to establish direct contacts with KPEP clients and gather first hand information on ongoing activities that receive KPEP support, to be used for a variety of KPEP publications. These included the monthly success report, the newsletter, an event-specific fact sheet (a fact sheet produced to promote Kosovo's tourism potential in Albania on September 30), and the success story corner on the KPEP website.

KPEP Identity: In accordance with USAID branding rules and guidelines, a special effort was made to continue to promote the KPEP identity. This consisted of making certain that banners, roll ups, and posters appeared at all events. Examples included the promotion of www.KosovoGuide.com and the Pejë/Peć Street Fair 2010, posters for the Tourism Job Fair, next steps for KPEP's work in the tourism sector and *Carpentry Days*, and training materials and information for KPEP clients. KPEP ensured that reports, power point presentations,

invitations and other documents followed the strict USAID branding rules and guidelines on language use. The reception area displays the latest posters and promotional materials.

KPEP assisted ICT, WfD, Construction, Tourism and Agribusiness clients with promotional advice on proper usage of logos and language.

Website: The newly designed KPEP website went live on August 26. The site more prominently features the latest news, success stories, notifications on events organized by or with KPEP support, and the picture gallery.

Promotion of KPEP's Work: In this quarter, KPEP continued to work with the local film production company *Koperativa*, which finalized the documentary film *Challenges for Safer Roads*. The documentary film was shown on five local TV stations: TV Mitrovica, which broadcasted the documentary four times in October and will broadcast one more time; TV Meni on October 16 and 18; TV Tema on October 24; TV Syri twice in October and TV Prizren twice in October. One of Kosovo's four prominent TV stations, RTV21, also broadcasted in October. Posters, postcards and cards to promote KPEP's work in the tourism sector were created and distributed at related events.

The KPEP Communications Specialist worked with MDA, a local consulting company, to finalize the re-print of the Catalog of Tourism Offers. This activity included photographing various tourism destinations within Kosovo, editing text and presenting the information in the catalog. The Communications Specialist also worked with MDA on the promotional materials for the Tourism Job Fair

KPEP's Wood Processing and Communication Specialists assisted the Association of Wood Processors of Kosovo (AWPK) in its efforts to promote the June 10-13 Natyra Fair in the local media. To achieve this, KPEP established contacts between AWPK and the editor-in-chief of the *Ekonomia-ks.com* economic news agency, which publicized the fair on its website for two weeks prior to the event free of charge. The news agency also ensured that journalists participated in the opening ceremony of the fair, which received very good media coverage. The Communications Specialist assisted the Executive Director of AWPK to draft a media alert and press release for the event, both issued by AWPK.

Newsletter: 14,000 copies of the newsletter on KPEP activities for the first two months of 2010 were distributed as an insert to the Koha Ditore newspaper on March 24. The second newsletter for March-April activities was published in May and distributed at all KPEP events.

Event Organization

Tourism Promotion: On May 6, KPEP organized a media event to promote the Catalog of Tourism Offers and to provide an opportunity for Kosovo tour operators and travel agencies to meet with members of the media and exchange information. The event gathered journalists representing mostly newspapers and online agencies. Both groups contributed with fruitful ideas on the key issues related to Kosovo's tourism potential and offers, and on the increasing trend of inbound tourism worldwide.

Dairy Promotion: In cooperation with the Agribusiness Specialist, KPEP planned and organized the final event of the dairy promotion program in Pristina, implemented by the Republika marketing and communications agency. The event was held June 29 as a media event, and was officiated by the Minister of Agriculture, Forestry and Rural Development (MAFRD). The purpose of the event was to publicly present the objectives of the KPEP dairy promotion campaign and cooperation between KPEP and MAFRD in the dairy sector. The event, which received excellent media coverage, presented the campaign results immediately.

In this quarter, the Communications Specialist worked with other KPEP specialists to organize the following events:

- Forestry: visit of USAID and Minister of MAFRD to Koritnik on July 29 and the second SDG national workshop on September 14;
- NWFP: US Ambassador visit to KPEP client Hit Flores on September 17, and with MD Consulting to organize the Pre-Harvest Blueberry Conference on July 16;
- Wood processing: visit of USAID delegation to Tefik Canga Design on September 22;
- BEE: advocacy strategy event on July 20;
- Tourism: Travel Day Fair on April 22, Pejë/Peć Street Fair on September 26 and;
- WfD: USAID visit to a kindergarten started by a young entrepreneur who attended KPEP-supported training on August 19.

Project Management Unit (PMU)

The PMU is an integral part of the team's communications, leadership, and technical delivery working collaboratively with the field, Booz Allen headquarters, and USAID. At Booz Allen, the PMU provides not only backstopping programmatic support, but also ensures the firm's lessons learned, experience and corporate values are properly integrated and disseminated throughout the project team. The PMU serves as a liaison, advisor, and as technical subject matter and research experts to ensure successful project implementation and client satisfaction.

The PMU was responsible for finalizing all major client deliverables, including Quarterly Reports, Workplans, and Staffing Plans. The PMU conducted analytical research in support of the field technical needs and provided substantive input to various research and business practices projects. The PMU has developed contextual indicators that are used for evaluating the performance of the project. In addition, in Year 2 of the project, the PMU conducted research on tourism laws and collected the best business practices for establishing a National Tourism Organization. This research was instrumental in the field office evaluation of the draft Tourism Law and development of next steps for establishing a National Tourism Organization. The Unit also conducted research on heavy equipment operator training centers (HEOTCs), as well as on various legal and regulatory issues, including the VAT requirements for business. This research has been instrumental in the field, including most recently, with the creation of a business plan for an HEOTC in Kosovo.

To ensure the most efficient use of funds, PMU has a comprehensive financial management tool that will allow the Chief of Party (COP) to implement KPEP most effectively. PMU has prepared and submitted accruals report to USAID on a quarterly basis. The Unit has reviewed and reconciled Operational Expense Reports working closely with field staff to adjust/correct, where necessary.

In Year 2, the PMU has mobilized 58 short term technical specialists, including experts in the fields of wood processing, forestry, architectural licensing, associations, legal and regulatory, mergers & acquisitions, foreign direct investment, road construction, dairy technology, and heavy roads machinery, among others. The mobilization processes included arrangement of contract agreements, processing of the staffing approval authorizations, processing of the mobilization paperwork, and support in invoicing. In addition, we processed and received

approval documentation for 20 CCNs, as well as both a new Chief of Party and Deputy Chief of Party. Among the long-term CCNs approved are KPEP's Senior Competitiveness Specialist, SAF Manager, BEE Lead and finance assistant.

Further, the PMU added new subcontractors to the project during Year 2. HeviCert, Inc. was added as a subcontractor to provide heavy construction equipment operator training and certification to 40 individuals from third party construction firms in Kosovo. The training included the provision of simulator software, related hardware, and other items to remain in Kosovo upon completion of the training program. Texas Transportation Institute (TTI), part of the Texas A&M Research Foundation, was added as a subcontractor to assist with KPEP's objective for the road construction sub-sector. This includes improving road design capabilities, procurement processes, and building the capacity of construction contractors and the construction workforce. Initiatives included assisting with the pre-feasibility and design services for a road which will serve as a best practice study and training students and practitioners in the road design arena on best practices. TTI advisors are also commenting on Kosovo's Construction Law.

World University Service – Austrian Committee (WUS Austria) was added to offer university students a cross sector internship program under which they could apply the theoretical knowledge gained through their studies into practical employment experience. The internship program helps students discover their major field of interest, while offering employees a preview of prospective candidates. The wider objective is to contribute to internship institutionalization at the University of Pristina and thereby strengthening the linkage between universities and the economy. In order to develop a wine tourism strategy for Kosovo, KPEP added German-based ghh consult as a subcontractor. The primary focus was on compiling a list and detailed description of wine tourism initiatives that are both realistic and feasible for the region of Rahovec/Orahovac for immediate to mid-term implementation.

The PMU served as a liaison between the project field team and our project subcontractors, and initiated and completed the various modifications necessary to field both independent consultants and subcontractor staff. This has included the preparation of statements of work (SOWs) and budgets for those team members. PMU has processed and completed all the corresponding deployment and mobilization documentation including conducting appropriate due diligence for all candidates and providing support in all aspects of the mobilization from arranging contract terms through the final invoicing.

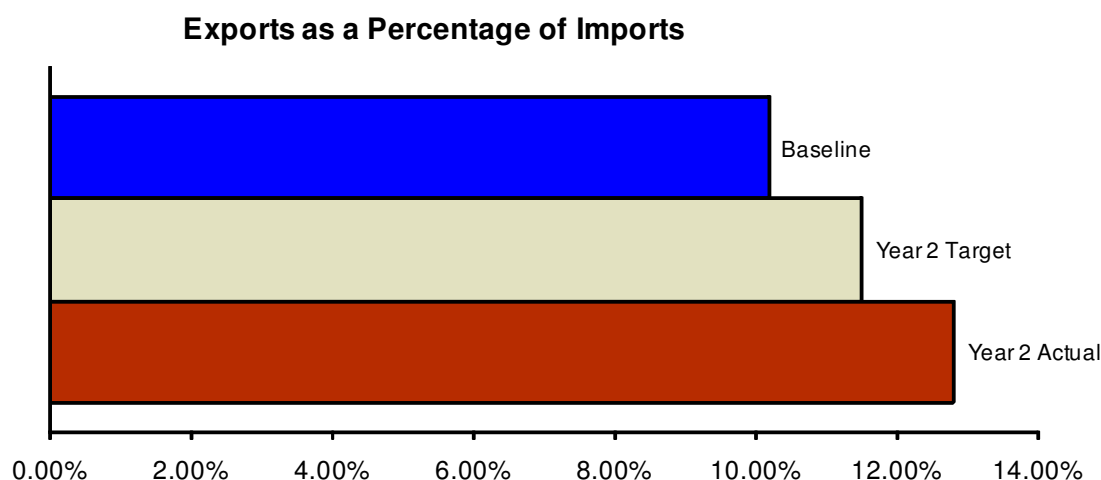
Annex 1: Report on Indicators

IR.1.3 (1) Accelerated Growth of Private Sector

Indicator: Exports as a Percentage of Imports – Kosovo Wide

Definition of the indicator: The total value of exports divided by the total value of imports, by sector.

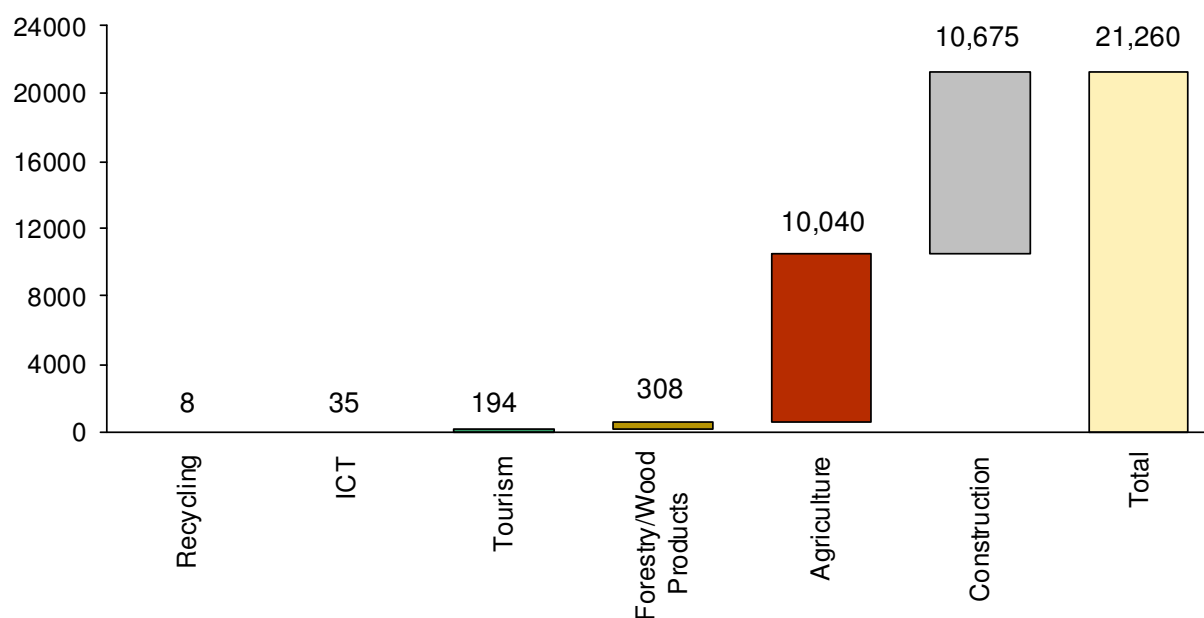
Data Source: Data is received from the Statistical Office of Kosovo (SOK).



Annual Results: The total value of exports divided by the total value of imports. This report contains the data from October 2009 until August 2010, which is the last month that data is available from SOK. Value of exports for this period was €242.9 million, while imports were at the amount of €1,900.5 million, which represents 12.8% exports/imports coverage. While for the last three months of 2009, the exports/imports coverage ratio was 9.88%, and in the first quarter of the CY 2010 was 13.66%, in the second quarter of the CY 2010 this ratio was 16.20%. In May 2010, this ratio was the highest reported in the period after the war in Kosovo. Exports in May were at €33.0 million, highest value of the exports recorded, while imports were €180.6. So, the exports/imports coverage ratio for the month of May was 18.3%. During the last quarter, exports were at €47.4 million and imports were €422.9 which provides for exports/imports coverage of 11.2%.

The data collected from KPEP client enterprises indicate that exports to date were €22,777,145 while imports were €34,638,336. This provides for a coverage ratio of 65.8%. Comparing to the baseline exports data of KPEP clients there was an increase of €21.3 million for the LOP. The graph below shows the increase in exports by KPEP targeted sectors.

Increase in Exports by Sector in Thousand Euros



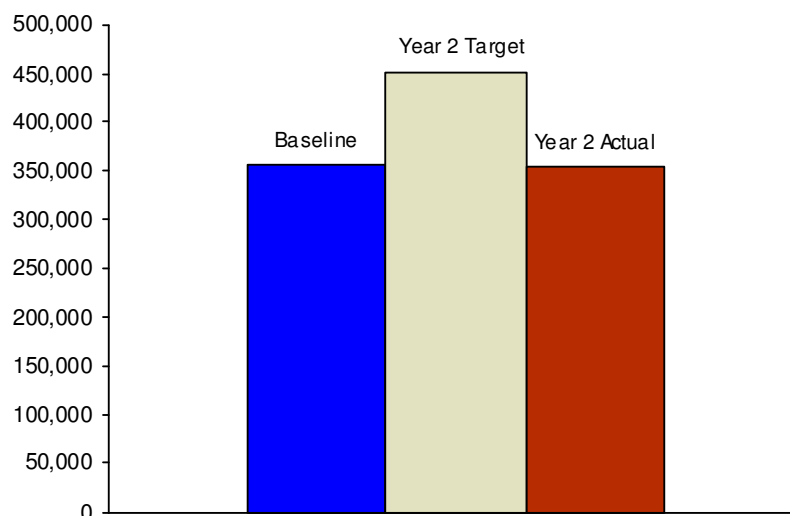
IR.1.3 (2) Accelerated Growth of Private Sector

Indicator: Foreign Direct Investment – Kosovo Wide

Definition of the indicator: Value of foreign private investment. Enterprise investment is defined as spending related to operational capital, technology, land, and infrastructure.

Data Source: Baseline data was received from Central Bank of the Republic of Kosovo.

Foreign Direct Investment (in thousand Euros)

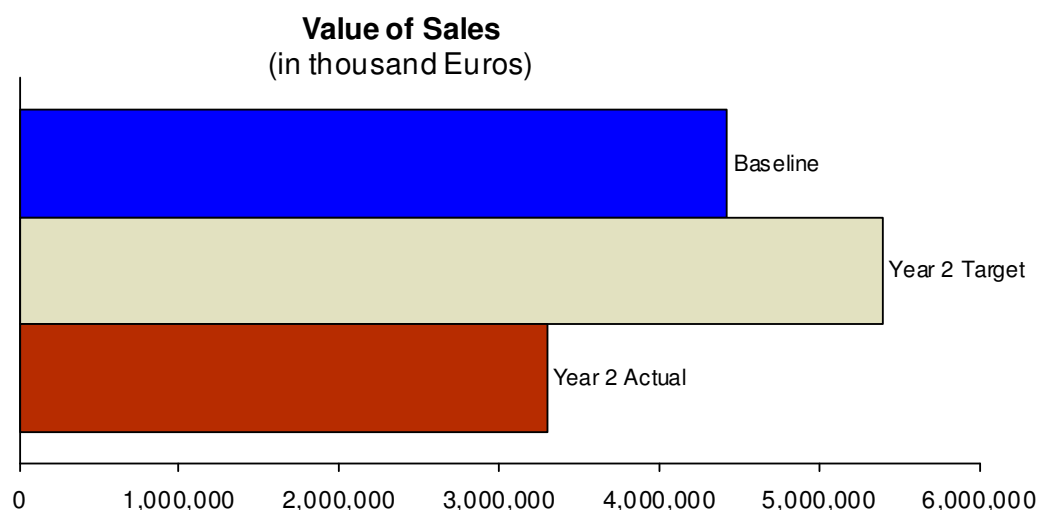


Annual Results: This indicator is reported annually. The FDI data show a declining trend in the last three years. In 2007, FDI was €440.7 million, in 2008 was €366.5 million and in 2009 was €291.5 million. Foreign Direct Investments (FDI) in Kosovo marked significant growth of 18.2% in Q1 2010, reaching a value of € 62.8 million. The largest part of FDI in Kosovo originates from Slovenia and Germany, with a share of 27.7 and 18.4% of total FDI in Kosovo, respectively. FDI in Kosovo mainly consist of capital investments, representing around 70% of total FDI, whereas around 20% of these investments consist of loans issued to foreign companies operating in Kosovo by their parent companies. The remaining 10% consists of reinvested profits, which primarily account for retained earnings of foreign financial institutions operating in Kosovo.

IR.1.3 (3) Accelerated Growth of Private Sector

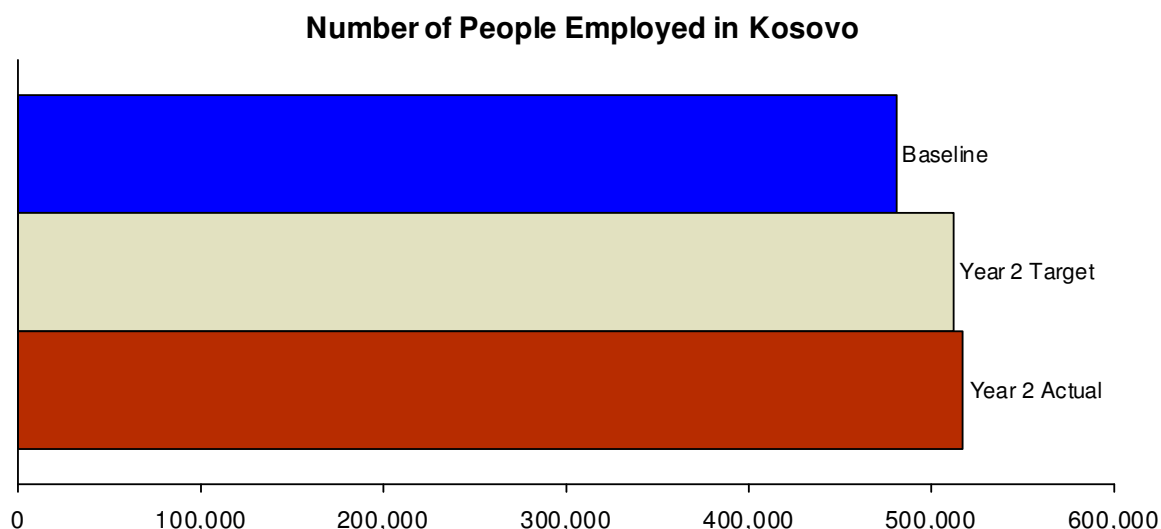
Indicator: Value of sales, by sector – Kosovo Wide

Definition of the indicator: Value of goods and services sold during the year measured as gross business sales.



Data Source: The data for this indicator has been collected from the Tax Administration of Kosovo.

Annual Results. The baseline includes the data for the period January-December 2008. KPEP has collected the data for the period October 2009- September 2010. The cumulative data for this period is at €3,294.9 million. This figure represents the sales of all enterprises in Kosovo. Tax Administration of Kosovo categorizes enterprises in Kosovo into different categories: by size, in small and large enterprises, and by legal status, in individual businesses and corporations.

IR.1.3 (4) Accelerated Growth of Private Sector**Indicator: Number of people employed, by sector – Kosovo Wide***Definition of the indicator:* Number of people employed, disaggregated by sector.*Data Source:* The baseline data for this indicator was collected from the Macroeconomic Department of MEF. The quarterly data is collected from the Department for Labor and Employment (DLE) of Ministry of Labor and Social Welfare (MLSW).

Annual Results. The baseline data shows that there were 481,000 people employed in Kosovo at the end of 2008, although this is the best estimate, since there is no data on the number of individuals that are employed in the private sector, but not legally registered as employees. The data received from DLE of MLSW regarding employment is as of August 2010 (report “Information on Labor Market in Kosovo”, August 2010). Two main categories of this report are entries and exits. According to the DLE explanation in the report, by ‘entries’ they mean ‘new people that register as unemployed’, while by ‘exits’ they mean ‘people that left unemployment bureau and eventually got employed’. Using this methodology, we can conclude that there are currently 517, 594 people employed. During the period October 2009 until September 2010, number of exits (people employed) was 20,886, while number of new entrants was 17,232. During the last quarter, number of exits (people employed) for this quarter (data is for July and August only) was 2,558, while number of new entrants was 3,137.

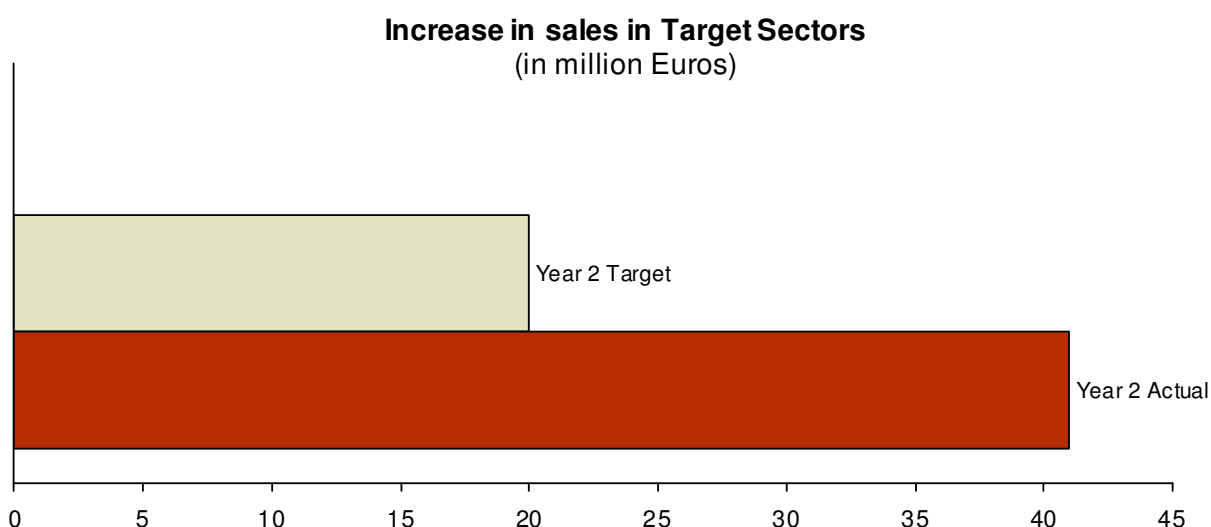
Kosovo Statistical Office has published the results of the Labor Force Survey for 2009, which explains the structure of Kosovo’s labor market. Results of the Labor Force Survey, suggest that the unemployment rate in 2009 was 45.4% (47.5% in 2008). The largest part of the unemployed population consists of individuals with low level of qualification, whereas unemployment tends to be mainly long-term. The sectors that absorb the bulk of the labor force continue to be the trade and education sectors, which together generate about 30% of total job places in Kosovo.

The survey results do not show substantial changes in the labor market performance in Kosovo during 2009, where the employment rate remains at a low level. The employment rate in 2009 was 26.4% of the working age population, which however represents a slight increase compared to the previous year when the employment rate was 24.3%. Compared to the EU and other countries in the region, Kosovo continues to be the country with the lowest level of employment.

IR.1.3.1 (1) Increased Competitiveness of Key Sectors**Indicator: Increase in Sales in Target Sectors**

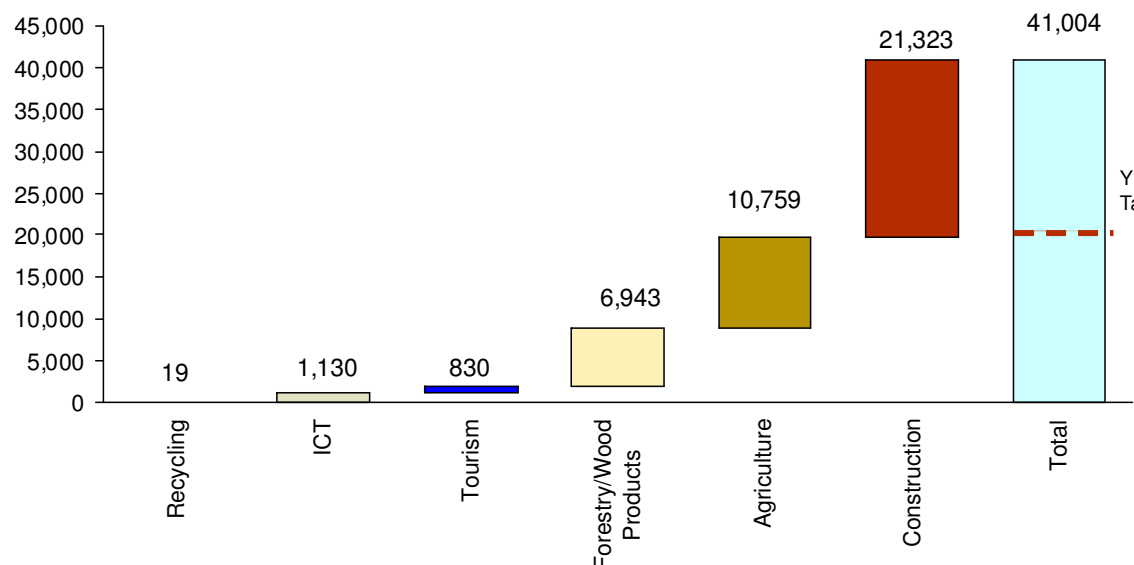
Definition of the indicator: Value of goods and services sold during the year is measured as gross business sales. It is an aggregate of all business sales related to the sector over a given period. This is measured for enterprises that receive KPEP support directly, through SAF or from specific transactions supported by KPEP.

Data Source: Data received from sector specialists.



Annual Results. The annualized baseline value of sales is €110,059,429 which represents the baseline sales data for 66 companies. The cumulative target for Year 2 is an increase of sales of €20,000,000. Cumulative increase to date is €41,003,603, which means that KPEP already exceeded Year 2 target. During the last quarter, there was increase in sales of €5,103,639.

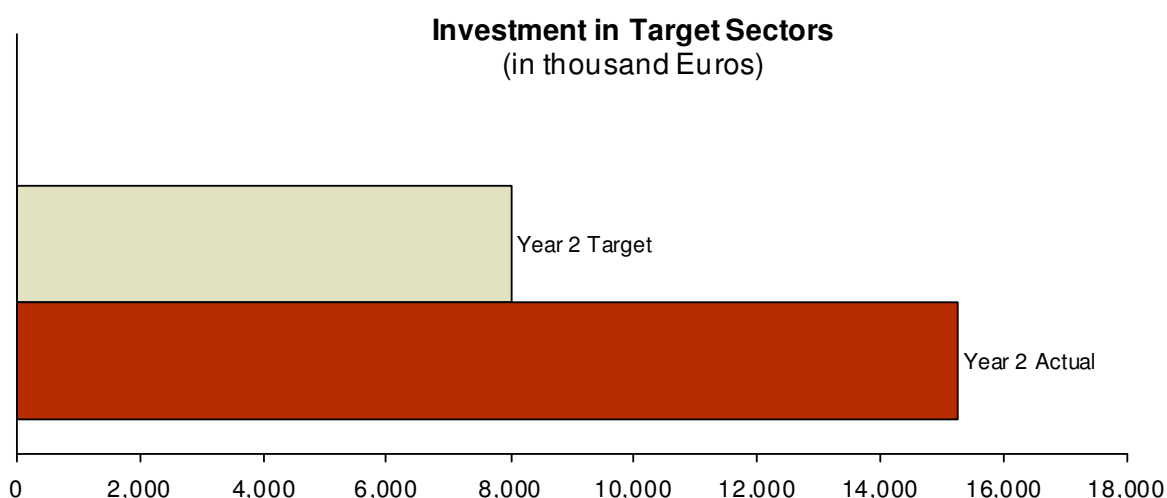
The main contributor to the LOP increase is the construction sector, as it is shown in the graph below:



IR.1.3.1 (2) Increased Competitiveness of Key Sectors**Indicator: Increase in investments in target sectors**

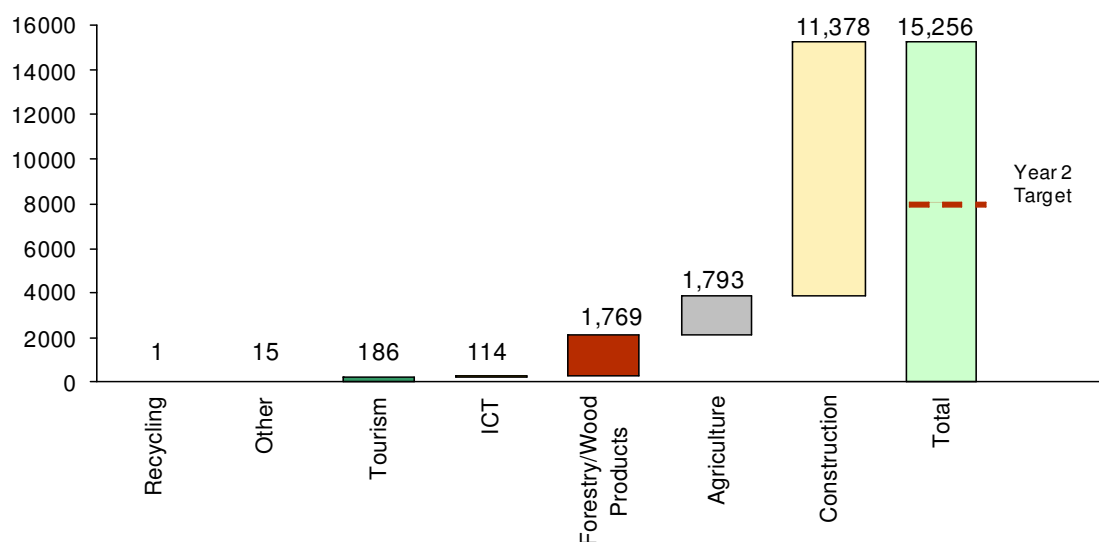
Definition of the indicator: Value of capital investments disaggregated by target enterprise, micro enterprise and by sector.

Data Source: Data received from sector specialists.



Annual Results. The cumulative value of investments to date is €15,256,256. Since the baseline figure was set at zero, the total value of investments in fact represents the total increase in investments. The cumulative target for Year 2 is an increase in investments of €8,000,000, the target already exceeded. T

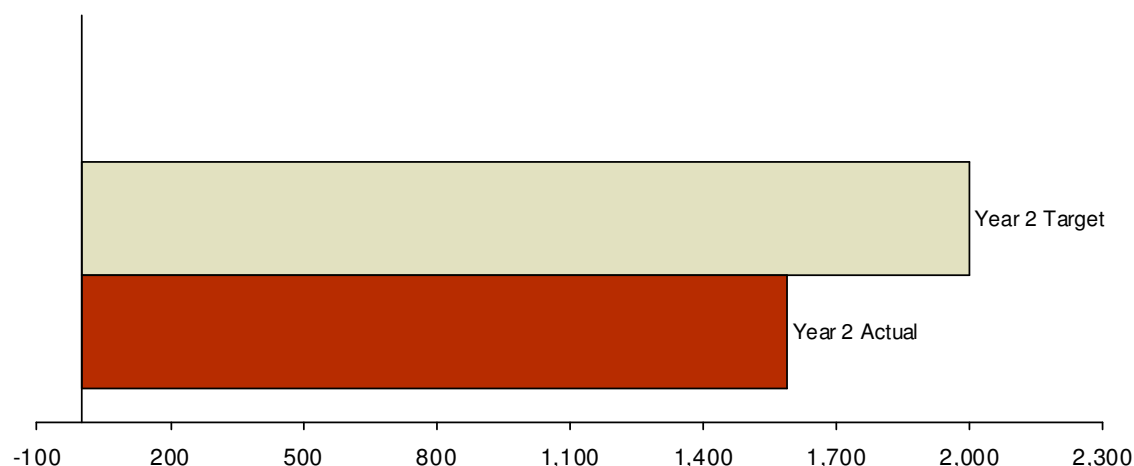
During the last quarter in KPEP client enterprises investment value was €1,039,169. The main contributor to the LOP increase is still the construction sector.



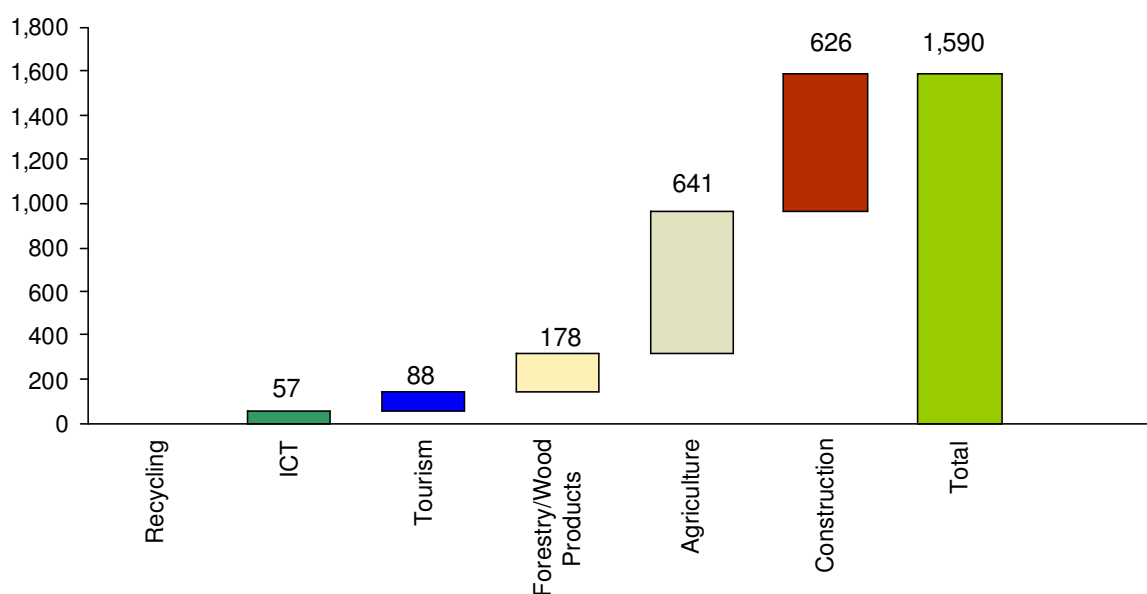
IR.1.3.1 (3) Increased Competitiveness of Key Sectors**Indicator: Increase in jobs created in target sectors**

Definition of the indicator: Number of jobs created, disaggregated by target enterprise micro enterprises, and by sector, in terms of full-time equivalent jobs in target enterprises. Person days of employment (part-time employment) are converted to annual full-time equivalent -FTE jobs using 225 days of labor per year.

Data Source: Data received from sector specialists.



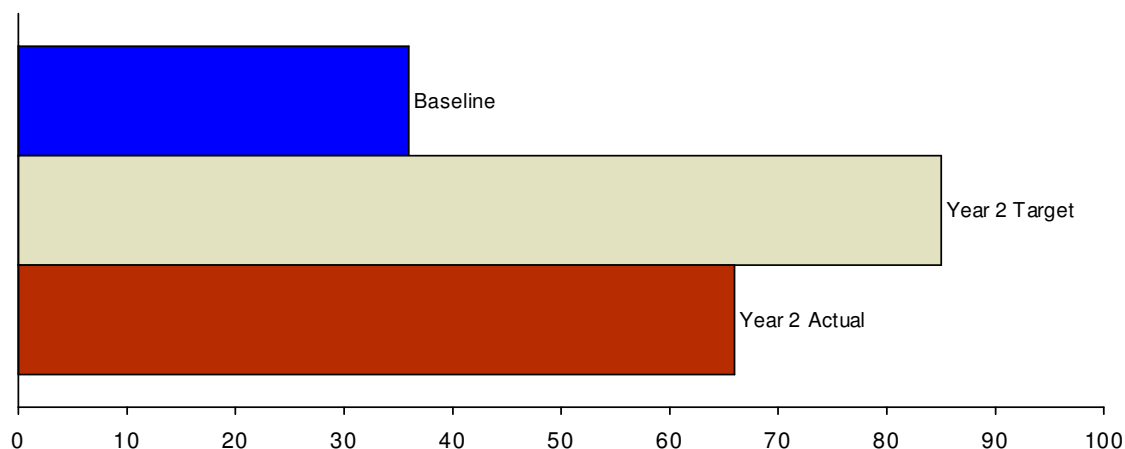
Annual Results. The cumulative target for Year 2 is an increase of FTE jobs by 2,000. The cumulative increase of FTE jobs at KPEP client enterprises to date is 1,590 FTE jobs, which are still below the Year 2 target. While KPEP is below its job creation target, the project has been able double the increase in full time jobs comparing to the baseline. The multiplier effect for the total increase in employment for the LOP is 2,647 FTE jobs, although multipliers were not calculated for all sectors. During the last quarter, the increase in FTE jobs was 461. Below is provided the structure of the LOP increase in FTE jobs by sector. The main contributors to this increase are agriculture and construction sector.



IR.1.3.1 (4) Increased Competitiveness of Key Sectors**Indicator: Number of enterprises assisted in target sectors**

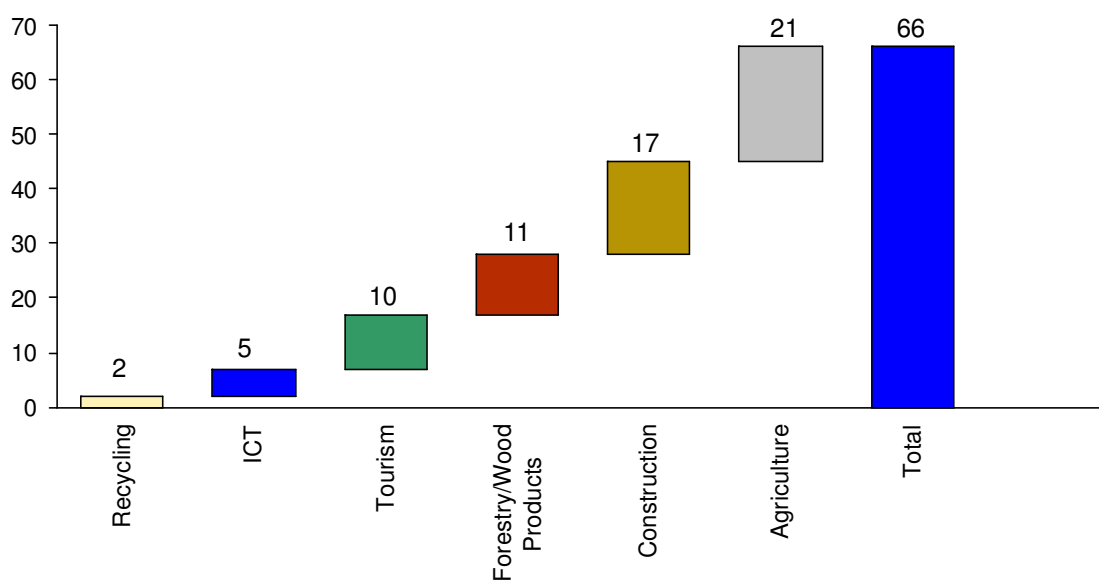
Definition of the indicator: Number of enterprises assisted directly by the project, disaggregated by micro enterprise.

Data Source: Data is received from sector specialists.



Annual Results. To date, there are 66 direct KPEP enterprises. These companies have signed agreement of cooperation with KPEP and receive continuous support from KPEP. In return, these companies provide KPEP with their quarterly data on their key performance indicators. The cumulative target number for Year 2 is set to 85 enterprises. During the second year 19 new enterprises were added to the list of KPEP clients. During the last quarter, six new companies were added to the PBMS system. The reach of KPEP in the private sector is much wider than this. KPEP's activities reach more than 500 companies.

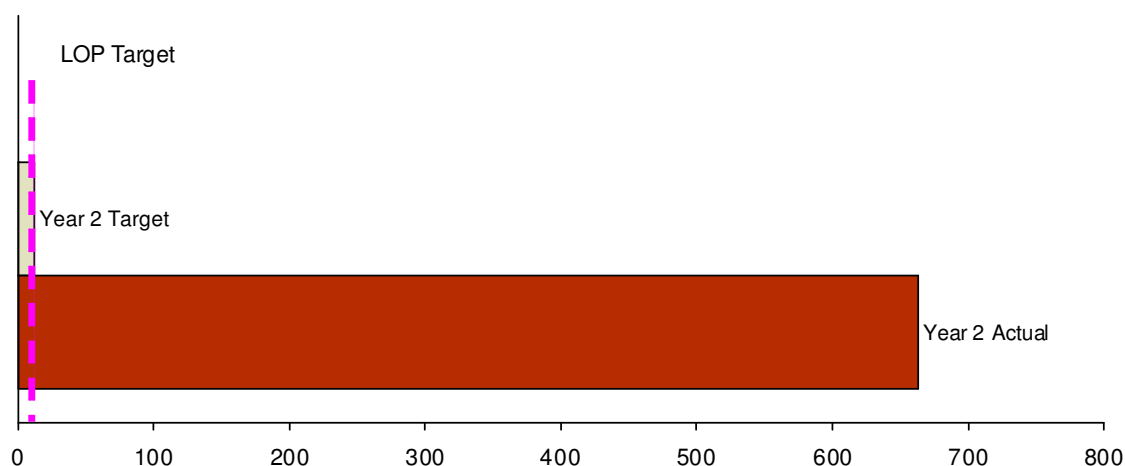
Below is provided the structure of direct KPEP client enterprises by sector.



IR.1.3.1 (5) Increased Competitiveness of Key Sectors**Indicator: Number of new start-ups in target sectors, Kosovo wide**

Definition of the indicator: Number of new start ups, disaggregated by micro enterprise and sector.

Data Source: Data is received from the Agency for Business Registry (ABRK) of the Ministry for Trade and Industry (MTI).



Annual Results. The data used for this report are from the publication 'Statistical Repertoire of Enterprises in Kosovo' prepared by the Statistical Office of Kosovo.

During the second quarter 2010 the number of new enterprises and re-registered enterprises was 1,997, while in the first quarter 2010 was 2,267, that there is a difference between quarters for 270 enterprises, expressed as a percentage there is decrease of 13.5% compared with the previous quarter.

Preferred economic activities in the second quarter of 2010 are 758 trade enterprises (37.9%), with 247 hotels and restaurants (12.3%), 199 processing industry (9.9%), construction of 181 (9%), transport and telecommunications with 167 (8.3%), other social and personal activities 159 (7.9%), followed by real estate and leasing of 132 (6.6%) while other activities include the rest of the remain. The number of new enterprises registered in KPEP targeted sectors is 663.

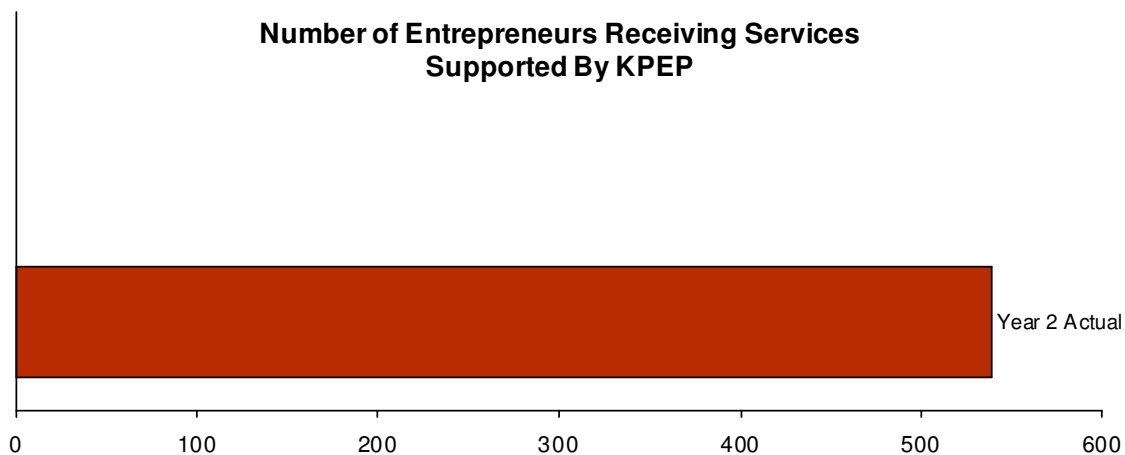
The category of number of employees by 1-4 (employees) is about 1,944 companies or 97.3% of new enterprises, the category of 5-9 with 41 of them (2.1%), while other categories include the rest of the remain or do not receive part at all.

Regarding the expansion of new enterprises in the municipalities in the second quarter of 2010 with 528 of them dominates Pristina (expressed as 26.4%), then Prizren/Prizren with 194 (9.7%), Gnjilane/Gjilan with 173 (8.6%), Ferizaj/Urosevac with 144 (7.2%), Peja/Pec and Gjakova/Djakovica with the 111 of them (with the 5.5%) and other municipalities that have a lower number, or make up less than 5% of new and re-registered enterprises in second quarter 2010.

IR.1.3.1 (6) Increased Competitiveness of Key Sectors**Indicator: Number of entrepreneurs receiving services supported by USAID**

Definition of the indicator: Number of entrepreneurs receiving services directly by KPEP or indirectly through associations supported by USAID

Data Source: Data received from sector specialists.



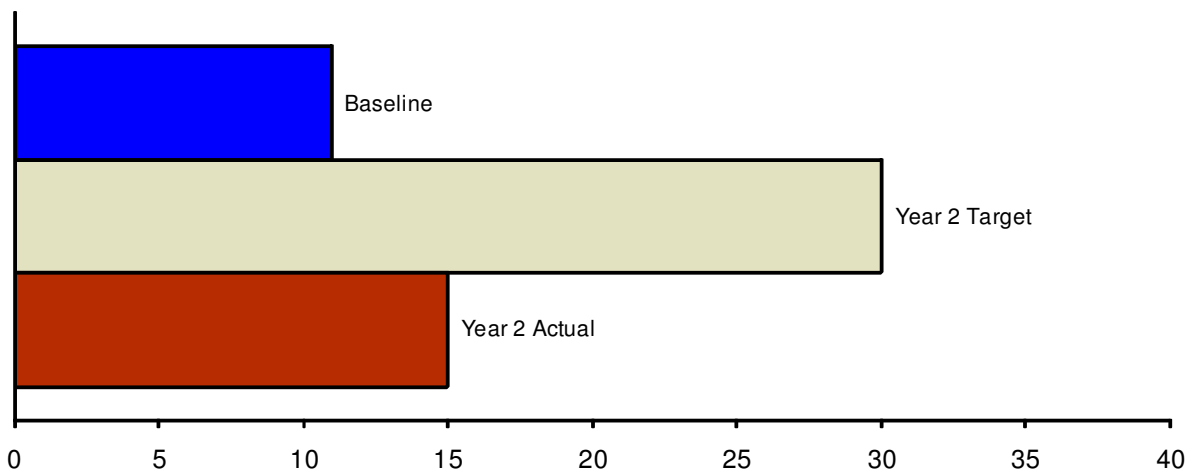
Annual Results. Any service provided, other than training (which is reported under Indicator 1 on workforce development component) is included and reported under this indicator. The list of services provided, among others, includes: study tours, HACCP assessment survey, trade and business linkages, etc. This list includes enterprises that are not direct KPEP clients but that received KPEP support through grants and sub-contracts. To date, the total number of 539 entrepreneurs received services supported by KPEP. No change was reported during the last quarter.

IR.1.3.2 (1) Improved and Demand Driven Business Support Services

Indicator: Number of enterprises and associations providing business support services

Definition of the indicator: Number of enterprises and associations providing business support services that are assisted by KPEP.

Data Source: Data received from sector specialists and BSS team.

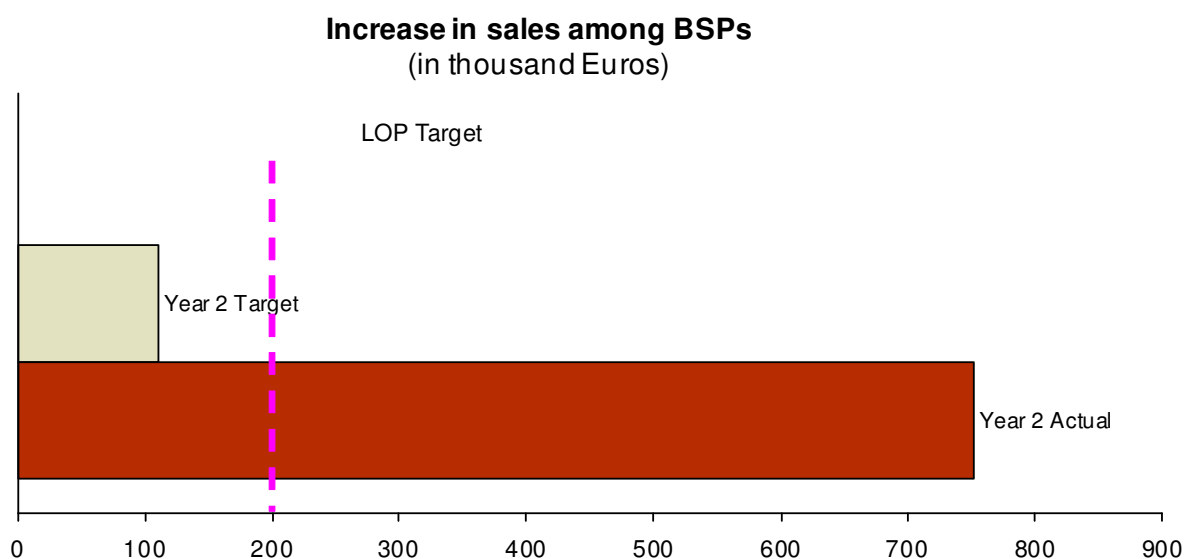


Annual Results. The total number of 15 BSPs are on the list of KPEP assisted BSPs. The companies that are on this list belong to two groups supported by KPEP: enterprises which participated on Premier Advisor Training program, and companies that are twinning partners of international consultants that are engaged with KPEP program. This number is still below the Year 2 cumulative target of 30 BSPs. No new companies were added during the year two, due to the fact that the activities in component two were diverted from work with business consultants and other service providers, to associations.

IR.1.3.2 (2) Improved and Demand Driven Business Support Services**Indicator: Increase of sales among BSPs**

Definition of the indicator: Value of sales among targeted BSPs, supported by KPEP and disaggregated by export sales.

Data Source: Data received from sector specialists and BSS team.

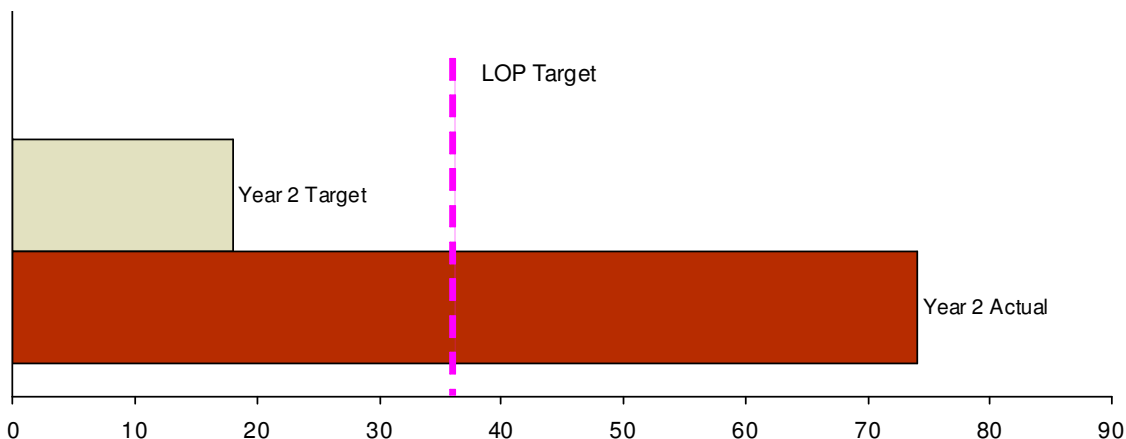


Annual Results. The target cumulative increase in sales for Year 2 is €110,000 over the baseline. The cumulative increase in sales to date is €752,302, which already exceeds LOP target increase in sales of €200,000. During the last quarter, there was an increase in sales comparing to the baseline data of €140,396.

IR.1.3.2 (3) Improved and Demand Driven Business Support Services**Indicator: Increase in jobs created for USAID -supported BSPs**

Definition of the indicator: Number of jobs created, among target business service providers, in terms of full-time equivalent jobs. Person days of employment (part-time employment) are converted to annual full-time equivalent - FTE jobs using 225 days of labor per year.

Data Source: Data received from sector specialists and BSS team.

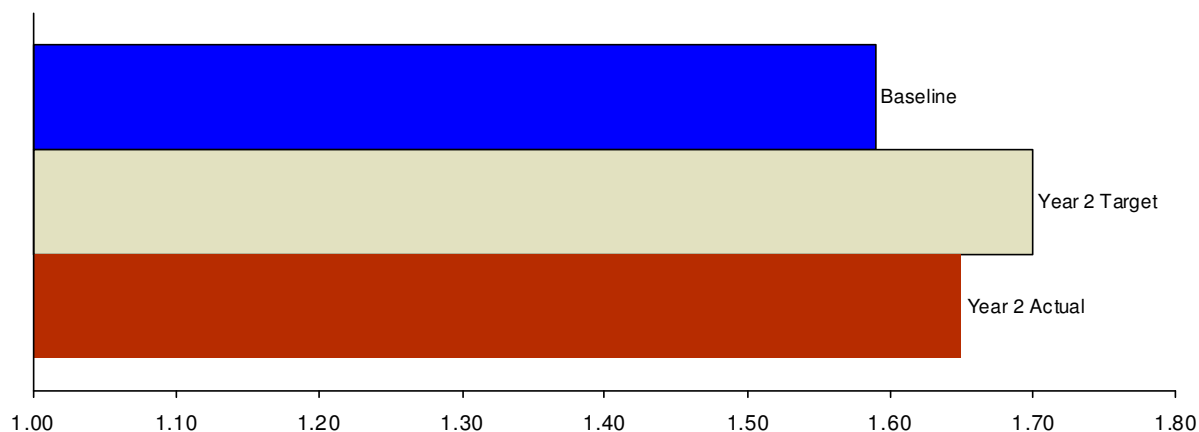


Annual Results. The target cumulative increase in FTE jobs over baseline for Year 2 is 18. The cumulative increase in FTE jobs to date is 74, which already exceeds LOP target increase of 36 FTE jobs. During the last quarter, there was an increase of 16 new FTE jobs.

IR.1.3.2 (4) Improved and Demand Driven Business Support Services**Indicator: Progress on the Association Development Index**

Definition of the indicator. Progress made by associations on eight elements of the Association Development Index for associations targeted by KPEP. The “Association Development Index as Applied to Selected Associations in Kosovo” assessment was conducted for associations of various businesses in the Republic of Kosovo. Sixteen business associations were chosen for this purpose. The data was collected using an evaluation tool/questionnaire, i.e. the Association Development Index, provided by USAID KPEP. The Index identified eight elements key to effective association management and was supplemented with questions to enhance understanding of each element. Evaluations of the individual associations were used to create the overall recommended baseline. That baseline was developed using statistical averages of mean, median and mode. The recommended baseline is 1.59, which is the median score. The idea is to conduct this type of assessment each year to monitor the progress of associations.

Data Source: Annual survey was conducted during September 2009.

Progress on the Association Development Index

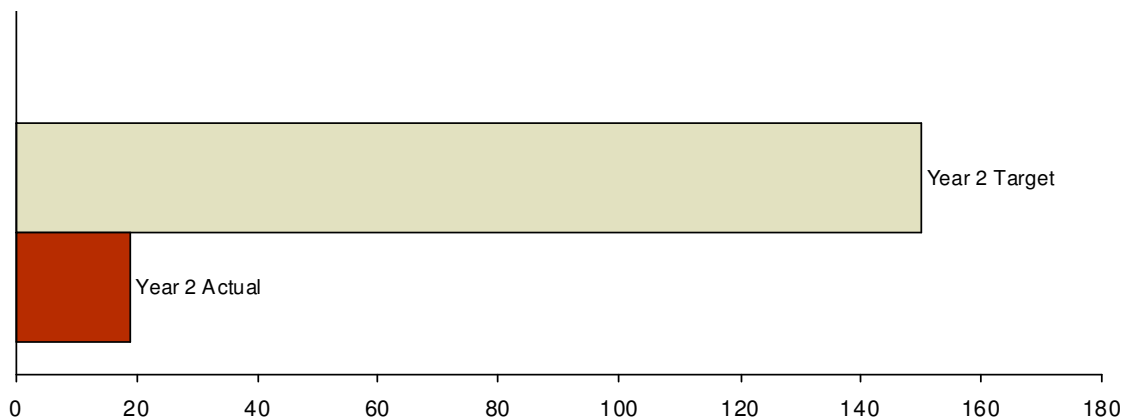
Annual Results. No changes to report during the year two. The graph shows the current score of the progress on ADI, which is at 1.65 median score as of September 30, 2009. This indicator is reported only on annual basis. The next annual survey will be conducted by the end of 2010.

IR.1.3.2 (5) Improved and Demand Driven Business Support Services

Indicator: Number of consultants trained/certified to provide business support services

Definition of the indicator: Number of consultants trained/ certified to provide business support services, trained by KPEP or a target BSP, supported by USAID.

Data Source: Data received from sector specialists and BSS team.

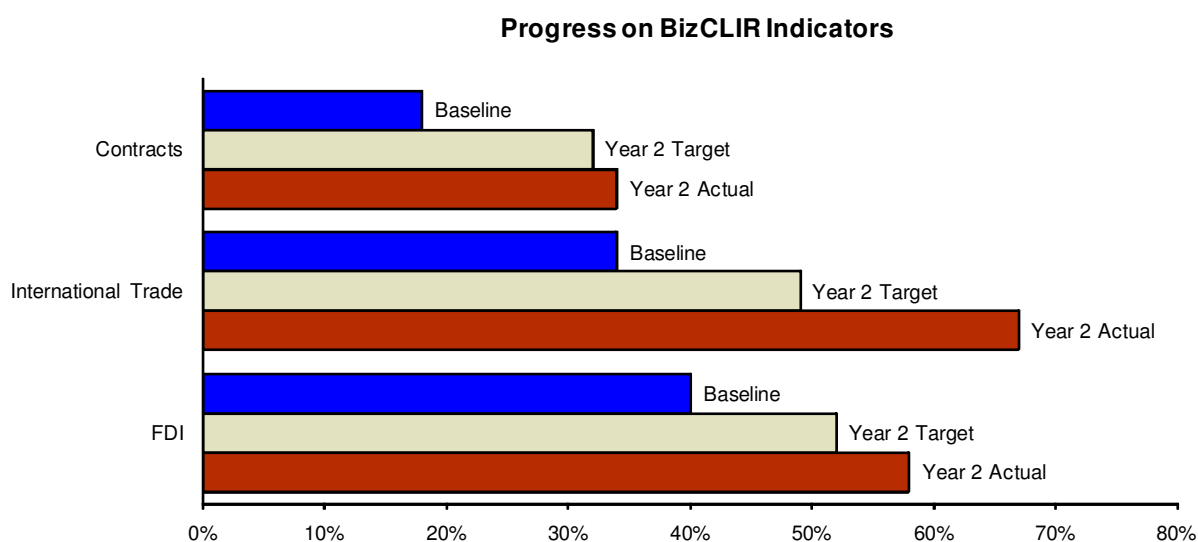


Annual Results. The cumulative target for the number of consultants trained or certified to provide business support services for Year 2 is 150. No changes were reported during this quarter, since USAID asked from KPEP to deemphasize the work with consulting firms. The actual result presented in the chart is the same as in the previous quarter. During the first year, 19 consultants were certified in the “Kosovo Premier Advisor” training course.

IR.1.3.3 (1) Improved Business Operating Conditions**Indicator: Progress on the Business Environment Index (BizClir)**

Definition of the Indicator: The mechanism for monitoring the BEE is the set of Commercial Legal Institutional Reform Assessment Indicator scores compiled for USAID in 2004 and updated in 2006. A 2009 update conducted by KPEP established a baseline, and subsequent updates will chart progress of indicators and subcategories relevant to KPEP activities each year.

Data Source: Annual survey has been conducted on January 2010 to update BizClir Index for 2009.



Annual Results. The 2010 BizClir indicator scoring suggested improvements in the following KPEP-relevant areas:

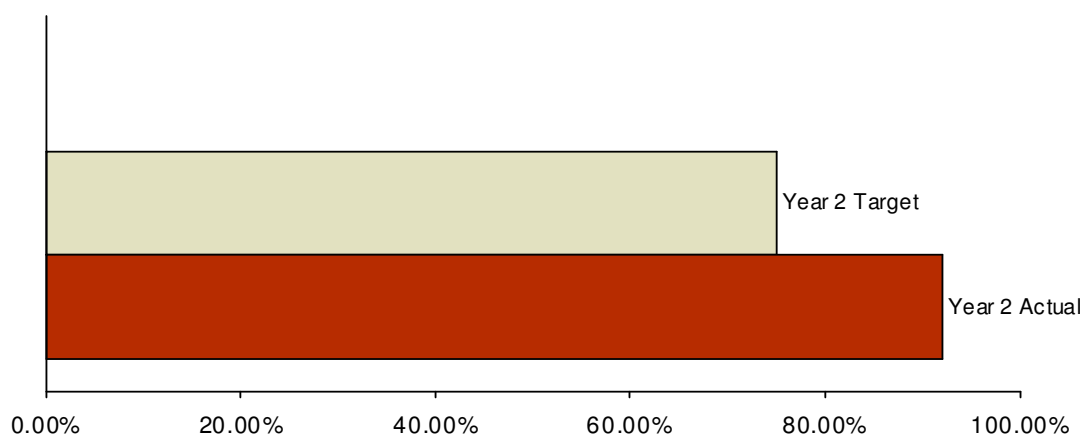
- Contracts: No improvements were seen in the Supporting Institutions or Social Dynamics areas, though there was some small improvement in the scores for Implementing Institutions;
- International Trade: Small improvements were scored in all areas except for the Legal Framework; and,
- FDI: We saw some rather significant improvement in both the Supporting Institutions and Social Dynamics Sections.

Next BizClir survey will be conducted on January 2011.

IR.1.3.3 (2) Improved Business Operating Conditions**Indicator: Progress on the policy index**

Definition of the Indicator: The number of policies that have met or exceeded established targets on the policy index using percentage of completion.

Data Source: Data received from BEE team.



Annual Results. Below are highlighted activities of the BEE team during year two:

- **CEFTA Implementation** - After the KPEP/World Learning Study Tour to Geneva, the group of participants formed, informally, the Trade Rapid Response Team, whose objective is to respond to emergent trade facilitation and policy issues in Kosovo, particularly at the intra-governmental level. At the same time, an official inter-ministerial GoK Trade Committee was established, with the Ministry of Trade and Industry in the position of Chair. These developments provide a positive example of progress policy establishment and implementation, much of which is as a result of KPEP's involvement in capacity building.
- **Public-Private Partnership (PPP)** - Though Kosovo's PPP regulatory framework is now complete and implemented at the core central level (Ministry of Economy and Finance), there are significant opportunities to help create PPP structures elsewhere in government. One example of this that KPEP has been involved with is the Forestry sector. Medium and long term leases for forest harvesting that parse responsibility to the private sector for reforestation and other maintenance are a form of PPP. KPEP has helped the Ministry of Agriculture develop and establish a framework for appropriate leasing programs.
- **Law on Construction** - A majority of the KPEP BEE Team's time has been dedicated to drafting a new Law on Construction for Kosovo. At this stage, the law is drafted and submitted to the GoK. The next steps involve defense of the law to GoK and support through the Assembly process.

Overall score for all policies to date is 92%, calculated as weighted average for completion of all policies taken together. The target set for the Year 2 on Policy index is set at 75%.

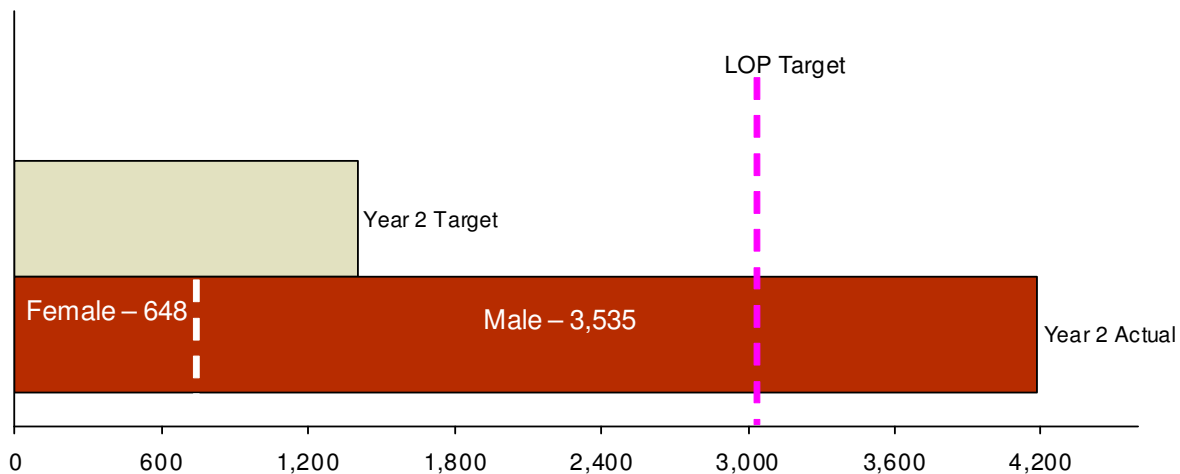
IR.1.3.4 (1) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: The number of individuals trained through USAID sponsored training

Definition of the indicator: The number of individuals trained, disaggregated by gender, age, ethnicity, sector, type of training etc.

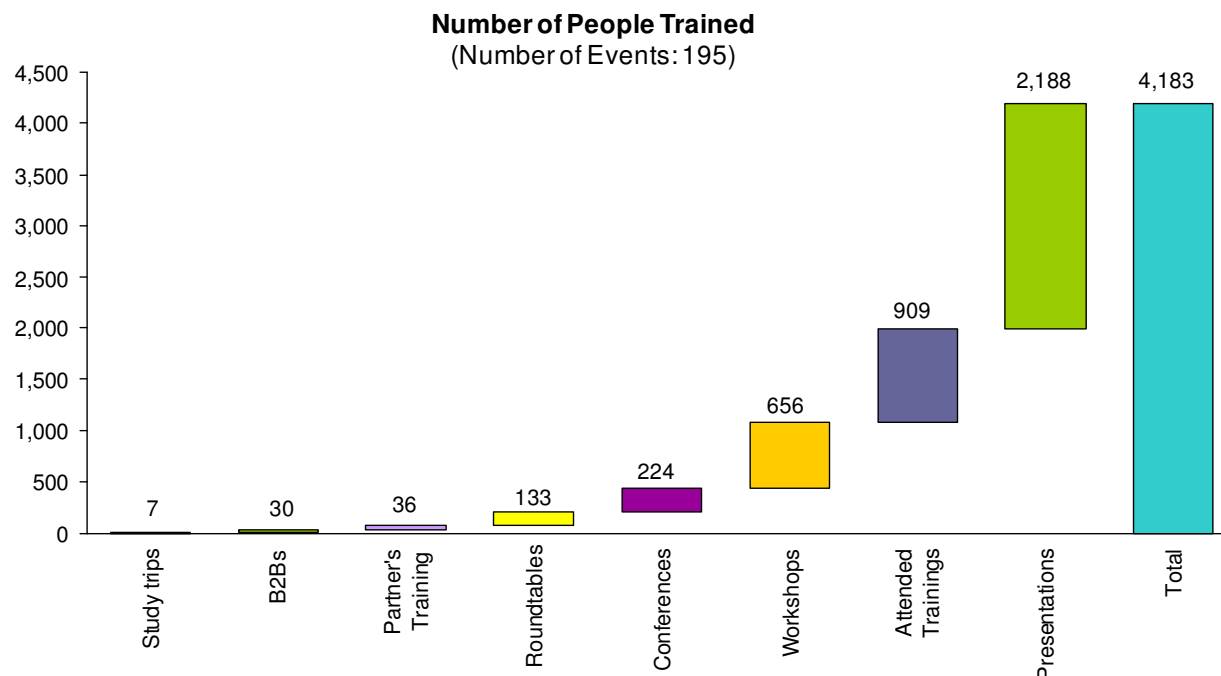
Data Source: Data received from sector specialists and WFD team.

Number of People Trained



Annual Results. To date, the number of people trained is 4,183, thus exceeding the LOP target of 3,000 people trained. During the year two, there were 2,563 people trained. During the last quarter this number was 217. From the total number of people trained during the LOP, 3,535 were male and 648 female, 260 were the people from minority areas, and 654 were below 25 years old.

Below is the chart that presents number of training events, and number of people trained by training category for the LOP.

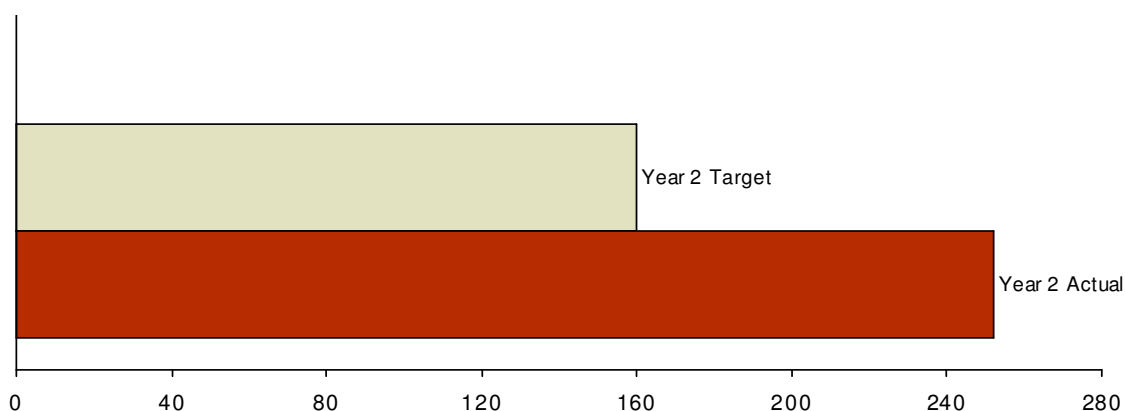


IR.1.3.4 (2) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of training certifications

Definition of the indicator: Number of training certifications earned by participants for completing the training.

Data Source: Data received from sector specialists and WFD team.



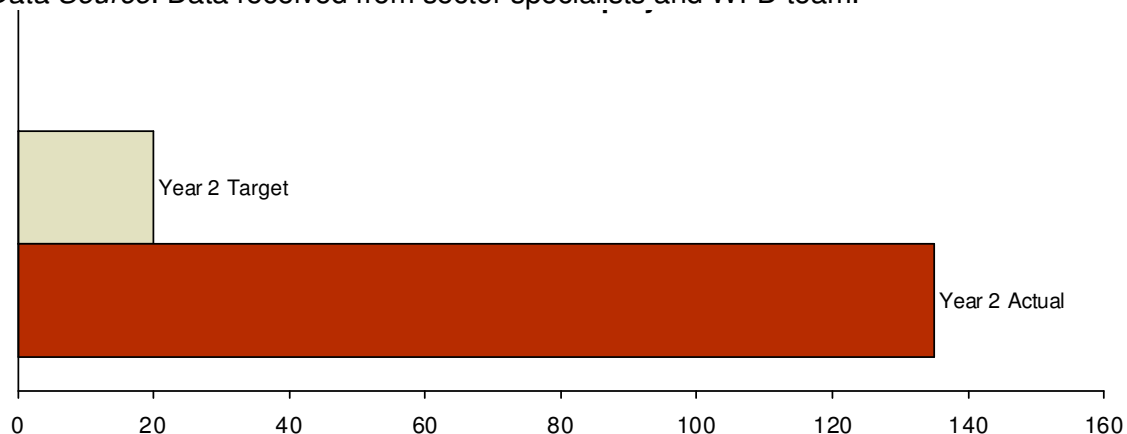
Annual Results. To date, the number of training certifications earned by participants for completing the training is 252. There were many events held during the year two resulting in 232 participants earning certificates, for instance: Entrepreneurship training, Accounting and Financial Analysis, Greenhouse as a business and HACCP training in three agricultural schools. No certificates were recorded during the last quarter.

IR.1.3.4 (3) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of program participants that obtain employment

Definition of the indicator: Number of program participants that obtain employment, disaggregated by gender, ethnicity.

Data Source: Data received from sector specialists and WFD team.



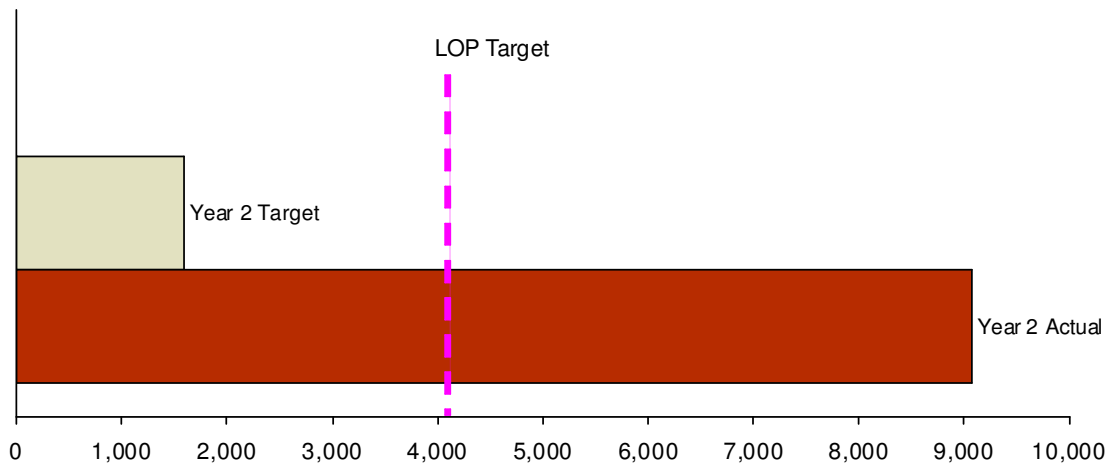
Annual Results. To date, in total 135 people obtained employment with support of KPEP program. Following is the list of KPE activities that generated job creation during the year two: Entrepreneurship training (in Drenas and Prizren/Prizren), Accounting and Financial Analysis, Wood Industry Internship, AmCham Job Fair, Business and Economics Interns Phase 2, Dairy Internship 2- Raw Milk Quality Program Management and Tourism Job Fair. During the last quarter, 95 people were employed as a result of KPEP supported activities in the workforce development.

IR.1.3.4 (4) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of individuals provided with services

Definition of the Indicator: Number of individuals provided with services, disaggregated by type of service: counseling, referrals, placement, gender and ethnicity. It excludes number of people trained since it is reported under Indicator of IR.1.3.4 (1).

Data Source: Data received from sector specialists and WFD team.



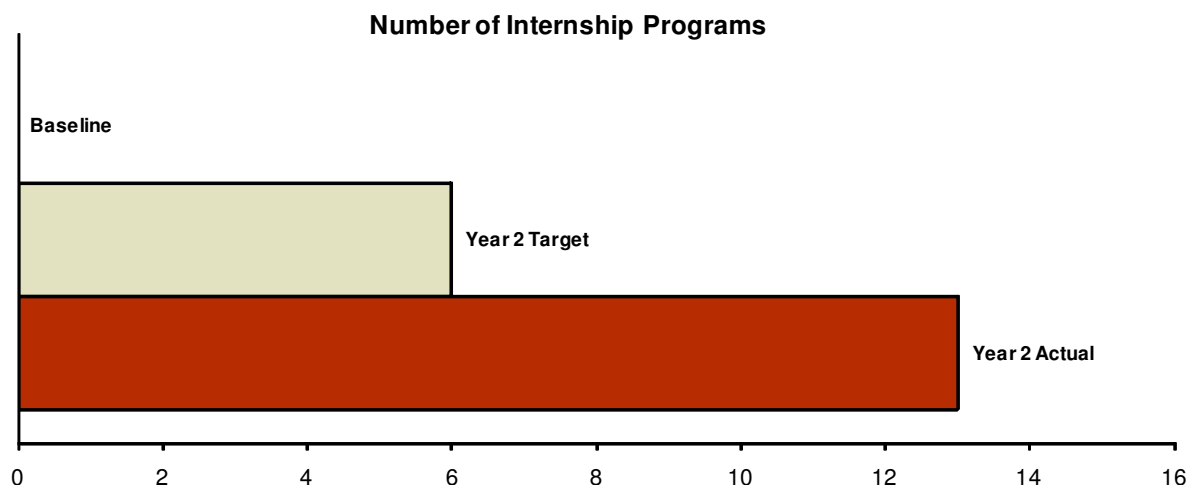
Annual Results. To date, the number of individuals provided with services is 9,078. The LOP cumulative target number, which is set at 4,000 individuals provided with services by the end of FY 2012, has already been exceeded. The data reported derive from events and activities organized or supported by WFD component and other components. The data on the people participating in trade fairs is also included in this number. During the last quarter alone, the number of individuals provided with services was 877, including people that attended Amcham Job Fair and Tourism Job Fair.

IR.1.3.4 (5) Improved Capacity of the Workforce to Engage in Employment Opportunities

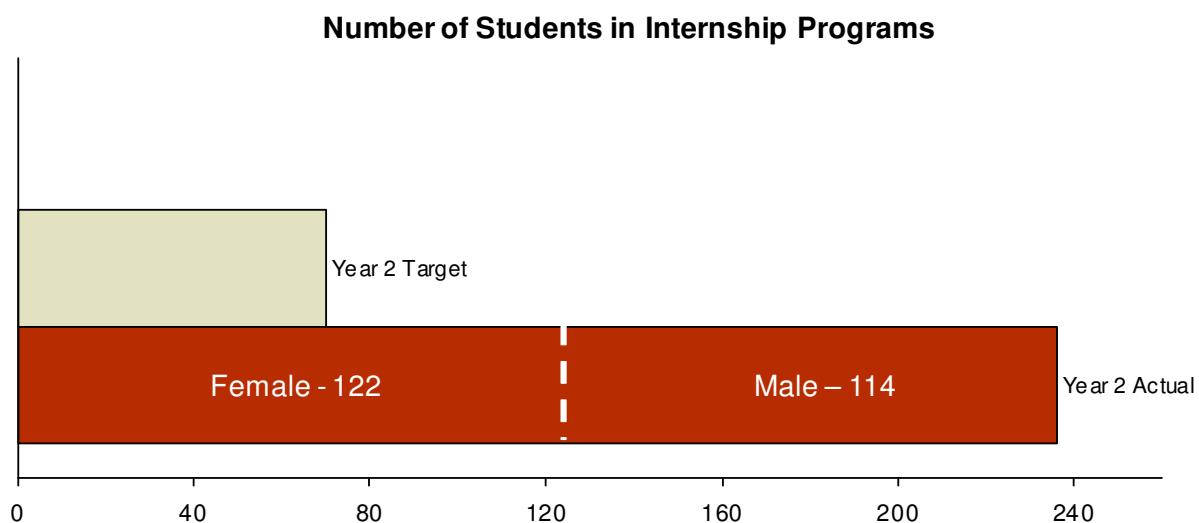
Indicator: Number of Internship programs

Definition of the Indicator: Internships include any sort of embedded training or on the job training.

Data Source: Data received from sector specialists and WFD team.



Annual Results. To date, KPEP organized thirteen different activities related to internships. Some of the internship programs were: Dairy Internship, Kosovo Business Case Challenge, Job Fair and Marketing VET in Peja/Pec, Business and Economics Interns Presentation skills, Academic writing and career development training, Accounting and Financial Analysis, Wood Industry Internship, Kosovo Business Case Challenge 2010, AmCham Job Fair, and Tourism Job Fair. There were in total 236 interns (122 female and 114 male).

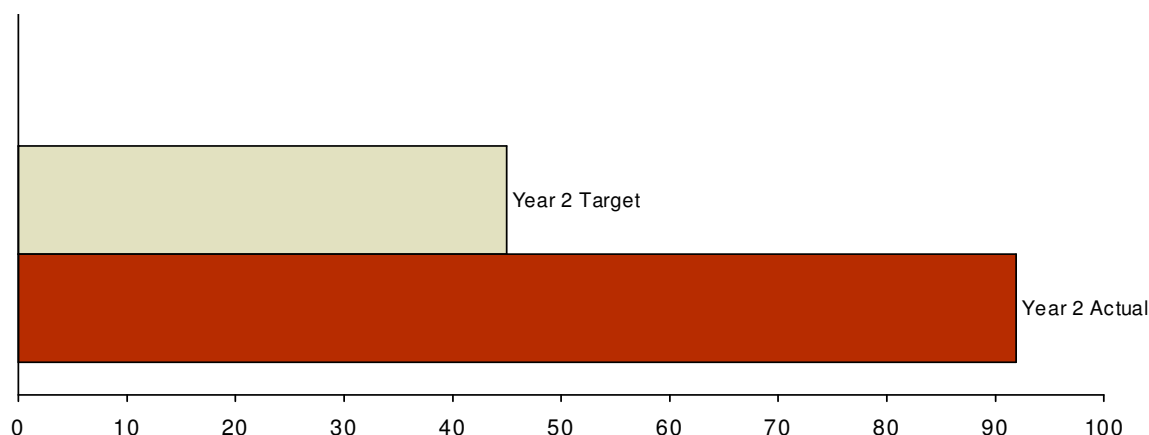


Strategic Activities Fund

Indicator: Number of grants/sub-contracts

Definition of the Indicator: Number of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.

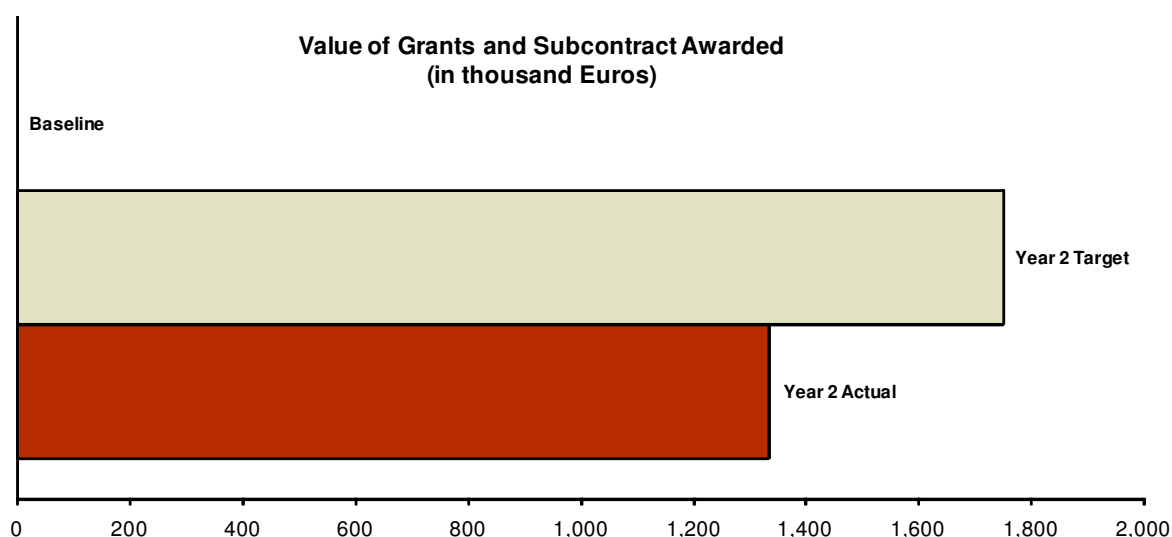


Annual Results. To date, there were 92 grants and sub-contracts awarded. During the year two, 28% of grants and sub-contracts were awarded to the Agriculture sector, 15% to the road construction and 13% to BSS, WiD and Wood products sub-sector.

Indicator: Value of grants and sub-contracts

Definition of the Indicator: Value of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.



Annual Results. To date, the value of grants and sub-contracts awarded was €1,335,357.

ANNEX 2. PMP Report: Annual Goals and Results

SO# IR#	SO Name	Unit measur e	Base- line Year	Base-line Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3	Accelerated Growth of Private Sector											
Indicators												
1 (AR)	Exports as % of imports, by sector	%	2008	10.2%	11.0%	12.8%	11.5%	12.8%	12.0%	0.0%	13.0%	0.0%
2	Foreign direct investment, by sector	Thousand €	2008	357,400	430,000	291,500	451,000	354,300	475,000	0	500,000	0
3	Value of sales, by sector	Thousand €	2008	4,418,000	4,900,000	4,552,795	5,400,000	3,294,933	6,000,000	0	6,700,000	0
4	Number of people employed, by sector	Number	2008	481,000	488,000	496,708	512,000	517,594	523,000	0	534,000	0
1.3.1	Increased Competitiveness of Key Sectors											
Indicators												
1	Increase in sales in target sectors over the baseline	€	2008	110,059,429	8,000,000	13,177,698	20,000,000	41,003,603	40,000,000	0	50,000,000	0
	% increase in sales over current baseline	%	2008	0	9.4%	25.7%	18.2%	37.3%	36.3%	0.0%	45.4%	0.0%
2	Increase in investments in target sectors	€	2008	0	3,200,000	9,570,686	8,000,000	15,256,256	16,000,000	0	20,000,000	0
3 (AR)	Increase in jobs created in target sectors	Number	2008	1,629	800	293	2,000	1,590	4,000	0	5,000	0
4	Number of enterprises assisted in target sectors	Number	2008	36	61	47	85	66	110	0	140	0
5	Number of new start-ups in target sectors	Number	2008	0	7	448	12	663	16	0	20	0
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	0	496	TBD	539	TBD	0	TBD	0
1.3.2	Improved and Demand Driven Business Support Services											
Indicators												

SO# IR#	SO Name	Unit measur e	Base- line Year	Base-line Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1	Number of enterprises and associations providing business support services	Number	2008	11	20	15	30	15	35	0	40	0
2	Increase of sales among BSPs	€	2008	1,490,763	40,000	236,566	110,000	752,302	150,000	0	200,000	0
3	Increase in jobs created among USAID supported BSPs	Number	2008	92	8	23	18	74	31	0	36	0
4	Progress on the Association Development Index	Median score	2008	1.59	1.60	1.65	1.70	1.65	1.90	0.00	2.00	0.00
5	Number of consultants trained/certified to provide business support service	Number	2008	0	70	19	150	19	240	0	300	0
1.3.3	Improved Business Operating Conditions											
Indicators												
1	Progress on the Business Environment Index (BizCLIR)											
1.1	Contracts	%	2008	18%	25%	0%	32%	34%	40%	0%	50%	0%
1.1.1	Supporting Institutions (B.3)	%	2008	10%	15%	0%	19%	21%	24%	0%	30%	0%
1.1.2	Social Dynamics (B.4)	%	2008	26%	35%	0%	44%	41%	55%	0%	69%	0%
1.2	International Trade	%	2008	34%	41%	0%	49%	67%	59%	0%	70%	0%
1.2.1	Legal Framework (H.1)	%	2008	41%	45%	0%	53%	82%	63%	0%	74%	0%
1.2.2	Implementing Institutions (H.2)	%	2008	27%	40%	0%	47%	45%	56%	0%	65%	0%
1.2.3	Supporting Institutions (H.3)	%	2008	35%	40%	0%	47%	73%	56%	0%	65%	0%
1.2.4	Social Dynamics (H.4)	%	2008	34%	40%	0%	50%	61%	62%	0%	76%	0%
1.3	Foreign direct investment, by sector	%	2008	40%	48%	0%	52%	58%	55%	0%	60%	0%
1.3.1	Legal Framework (K.1)	%	2008	43%	45%	0%	49%	74%	52%	0%	57%	0%

SO# IR#	SO Name	Unit measur e	Base- line Year	Base-line Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3.2	Implementing Institutions (K.2)	%	2008	36%	45%	0%	49%	53%	52%	0%	57%	0%
1.3.3	Supporting Institutions (K.3)	%	2008	54%	60%	0%	65%	76%	70%	0%	76%	0%
1.3.4	Social Dynamics (K.4)	%	2008	28%	40%	0%	43%	43%	47%	0%	50%	0%
2	Progress on the policy index	%	2008	0	70%	72%	75%	92%	TBD	0	TBD	0
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities											
Indicator s												
1	The number of individuals trained through USAID sponsored training	Number	2008	0	700	1,620	1,400	4,183	2,500	0	3,000	0
2	Number of training certifications	Number	2008	0	80	20	160	252	275	0	325	0
3	Number of program participants that obtain employment	Number	2008	0	TBD	2	20	135	100	0	150	0
4	Number of individuals provided with services	Number	2008	0	800	7,326	1,600	9,078	3,500	0	4,000	0
5	Number of internship programs	Number	2008	0	3	3	6	13	8	0	10	0
	Strategic Activities Fund											
Indicator s												
1	Number of grants/sub-contracts	Number	2008	0	20	26	45	66	70	0	90	0
2	Value of 77rants and sub-contracts	€	2008	0	400,000	447,837	1,750,000	1,335,357	2,370,000	0	2,625,000	0

ANNEX 3: List of Acronyms

ABA-CEELI	American Bar Association – Central European and Eurasian Law Institute
AD	Administrative Decision
ADI	Association Development Index
AEI	Agency for European Integration
AFAS	Association for Finance and Accounting Services
AgCLIR	Agribusiness Climate, Legal and Institutional Reform
AgSTRAT	Agricultural Strategy
AITA	ICT Association of Albania
AKA	Alliance for Kosovo Agribusiness
AKTA	Association of Kosovo Tourist Agencies
AmCham	American Chamber of Commerce
AMIK	Association of Microfinance Institutions of Kosovo
AUK	American University in Kosovo
AWPK	Associations of Wood Processors in Kosovo
B2B	Business To Business
BCC	Business Club Center
BEE	Business Enabling Environment
BizCLIR	Business Climate, Legal and Institutional Reform
BMM	Building Materials Manufacturers
BPO	Business Process Outsourcing
BSCK	Business Start-Up Center Kosovo
BSP	Business Service Providers
BSS	Business Support Services
CAGR	Compound Annual Growth Rate
CCMI	Center for Communications Management Information
CCN	Cooperating Country National
ccTLD	country code Top Level Domain
CEE	Central and Eastern Europe
CEED	Center for Entrepreneurship and Executive Development
CEFTA	Central European Free Trade Agreement
CLDP	Commercial Law Development Program

CMC	Certified Management Consultant
CMT	California Mastitis Test
CMT	Cut-Make-Trim
CNC	Computer Numerically Controlled
CoC	Chain of Custody
COP	Chief of Party
CRM	Customer Relations Management
CV	Curriculum Vitae
DAG	Donor Assistance Group
DCED	Donor Committee for Enterprise Development
DCM	Deputy Chief of Mission
DFID	Department for International Development
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECIKS	Economic Initiative for Kosovo
ECLO	European Commission Liaison Office
EDD	Environmental Due Diligence
EE	Energy Efficiency
EFTA	European Free Trade Association
EGAT	Economic Growth and Trade
EN	European Norm
ERO	Energy Regulatory Office
ERP	Enterprise Resource Planning
EU	European Union
EUA	European Confederation of Manufacturers
EULEX	European Union Rule of Law Mission in Kosovo
EU NACE	European Union - Nomenclature Œconomiques Communauts Europennes
FAM	Familiarization Trip
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FIDIC	International Federation of Consulting Engineers
FSC	Forest Stewardship Council

FYROM	Former Yugoslavia Republic of Macedonia
GAP	Good Agriculture Practice
GAP	Gap Analysis Program
GDA	Global Development Alliance
GDP	Gross Domestic Product
GE	Gorenje Elektromotori
GoK	Government of Kosovo
GoN	Government of Norway
GTZ	German Society for Technical Cooperation
HACCP	Hazard Analysis Critical Control Point
HEOTC	Heavy Equipment Operators Training Center
HPK	Horticulture Promotion for Kosovo
HR	Human Resources
IADK	Agricultural Development of Kosovo
IANA	Internet Assigned Numbers Authority
IATA	International Air Transport Association
ICANN	Internet Corporation for Assigned Names and Numbers
ICC	Izmir Chamber of Commerce
ICMCI	International Council of Management Consulting Institutes
ICO	International Civilian Office
ICT	Information and Communication Technology
IDC	International Data Corporation
IEE	Initial Environmental Examination
IEP	Internet Exchange Point
IFC	International Finance Corporation
IP	Internet Protocol
IPAK	Investment Promotion Agency of Kosovo
IPR	Intellectual Property Rights
IS	Information Security
ISO	International Organization for Standardization
IT	Information Technology
ITC	International Trade Centre
IXP	Internet Exchange Point

KAA	Kosovo Associate of Architects
KASP	Kosovo Association of Concrete Producers
KATA	Kosovo Alternative Tourism Association
KBA	Kosovo Bankers Association
KCA	Kosovo Chamber of Advocates
KCBS	Kosovo Cluster Business Support
KCC	Kosovo Chamber of Commerce
KDPA	Kosovo Dairy Processors Association
KEK	Kosovo Energy Corporation
KFA	Kosovo Forest Agency
KFVA	Kosovo Food and Veterinary Agency
KOTAS	Kosovo Tourist Association
KPA	Kosovo Premier Advisor
KPEP	Kosovo Private Enterprise Program
KSA	Kosovo Standards Agency
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MASHAV	Israeli International Development Agency
MEA	Middle East and Africa
MEF	Ministry of Economy and Finance
MEM	Ministry of Energy and Mining
MESP	Ministry of Environment and Spatial Planning
MEST	Ministry of Education Science and Technology
MFA	Ministry of Foreign Affairs
MIS	Management Information Systems
MoU	Memorandum of Understanding
MPA	Metal Producers Association
MT	Metric Tons
MTC	Ministry of Transport and Communications
MTI	Ministry of Trade and Industry
MTPT	Ministry of Transport and Post-Telecommunications
NAAC	National Albanian American Council
NAHETS	National Association of Heavy Equipment Training Schools
NGO	Non-Governmental Organization

NRM	Natural Resource Management
NWFP	Non-Wood Forest Product
OECD	Organization for Economic Co-Operation Development
OJT	On-the-Job Training
OSCE	Organization for Security and Cooperation in Europe
PBMS	Performance Based Management System
PET	Poly Ethylene Therephthalate
PETCORE	Polyethylene Terephthalate Container Recycling Europe
PMI	Project Management Institute
PMO	Prime Minister's Office
PMP	Project Management Professional
PMU	Project Management Unit
PPP	Public-Private Partnership
PSD	Private Sector Development
PTK	Post and Telecommunication in Kosovo
RCAK	Road Construction Association of Kosovo
RE	Renewable Energy
RFA	Request for Application
RFP	Request for Proposal
ROI	Return on Investment
SAF	Strategic Activities Fund
SCAAK	Society of Certified Accountants and Auditors of Kosovo
SDG	Standards Development Group
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise
SMME	Small, Medium, and Micro Enterprise
SOE	Socially-Owned Enterprises
SOW	Statement of Work
STIKK	Kosovo Association of ICT
STTA	Short-Term Technical Assistance
SWOT	Strengths, Weaknesses, Opportunities, Threats
TAK	Tax Administration of Kosovo
TAM/BAS	Turn Around Management / Business Advisory Service

TBD	To be determined
TPA	Tons per annum
TRA	Telecommunications Regulatory Authority
TRRT	Trade Rapid Response Team
UBO	UBO Consulting
UEA	European Federation of Wood Processors
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
UNMIK	United Nations Interim Administration Mission in Kosovo
UNWTO	United Nations World Tourism Organization
UP	University of Pristina
US	United States
USAID	United States Agency for International Development
USG	United States Government
VAT	Valued added tax
VEC	Vocational Education Center
VTC	Vocational Training Center
WfD	Workforce Development
WG	Working Group
WTI	World Trade Index
WTO	World Trade Organization
YES	Youth Employment Service